

United States
Circuit Court of Appeals

For the Ninth Circuit.

JAMES H. JORDAN, J. R. MASON, L. F. ABADIE, GEORGE F. COVELL, and FIRST NATIONAL BANK OF TUSTIN, a corporation,

Appellants,

vs.

PALO VERDE IRRIGATION DISTRICT, an Irrigation District,

Appellee.

Transcript of Record

Upon Appeal from the District Court of the United States for the Southern District of California, Central Division.

FILED

APR 20 1930

PAUL P. O'BRIEN,

United States
Circuit Court of Appeals

For the Ninth Circuit.

JAMES H. JORDAN, J. R. MASON, L. F.
ABADIE, GEORGE F. COVELL, and FIRST
NATIONAL BANK OF TUSTIN, a corpora-
tion,

Appellants,

vs.

PALO VERDE IRRIGATION DISTRICT, an
Irrigation District,

Appellee.

Transcript of Record

Upon Appeal from the District Court of the United
States for the Southern District of California,
Central Division.

INDEX.

[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in italic; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in italic the two words between which the omission seems to occur.]

	Page
Answer and objections to Petition for composition of debts.....	57
Appeal:	
Bond for costs on.....	351
Notice of	354
Order allowing	340
Statement of points on (District Court).....	363
Statement of points on (Circuit Court of Appeals)	372
Assignment of errors.....	341
Bond for costs on appeal.....	351
Citation	2
Clerk's Certificate	369
Claims, Proof of:	
L. F. Abadie.....	70
George F. Covell.....	87
James H. Jordan.....	80
J. R. Mason.....	76
H. A. Mulligan, (Reconstruction Finance Corp.)	48
C. A. Vance, (First Nat'l Bank of Tustin)	73

Index	Page
Conclusions of Law.....	118
Decree, interlocutory	134
Designations of contents of Record on Appeal (District Court)	361, 362, 366
Designation of record for printing (Circuit Court of Appeals)	373
Disapproval and objections to Findings of Fact	124
Findings, disapproval and objections thereto....	124
Findings of Fact and Conclusions of Law.....	92
Interlocutory Decree	134
Names and Addresses of Attorneys.....	1
Notice of Appeal.....	354
Objections to Findings.....	124
Order approving petition and for notice, May 18, 1938	40
Order allowing appeal.....	340
Order extending time to file record and docket cause, to December 30, 1938.....	371
Order extending time to file record and tran- script on appeal, to January 29, 1939.....	356
Order extending time to file record and docket cause, to February 28, 1939.....	358
Order extending time to file record and docket cause, to March 15, 1939.....	359
Order extending time to file record and docket cause, to March 25, 1939.....	359

Index	Page
Order for transfer of original exhibits to the Circuit Court of Appeals.....	355
Order, memorandum, dated August 4, 1938.....	91
Order, minute, of July 18, 1938.....	90
Petition for composition of debts.....	3
Exhibits to Petition for Composition:	
A—Plan of Composition.....	21
B—List of Securities owned and held by Reconstruction Finance Cor- poration	25
C—List of Bondholders who have not accepted the plan.....	28
D—Condensed Summary	35
E—Resolution of the Board of Trus- tees of Palo Verde Irrigation District authorizing the insti- tution of a proceeding for com- position of certain indebtedness of the district under Chapter X of the National Bankruptcy Act	36
Petition for order allowing appeal.....	339
Praeipice of Appellant for transcript of record	361
Proof of Claims (For detailed index see “Claims, proof of”)	
Statement of evidence (For detailed index see “Testimony”)	147

Index	Page
Statement of Points by Appellants (District Court)	363
Statement of Points by Appellants (Circuit Court of Appeals).....	372
Stipulation extending time to docket appeal, to January 29, 1939.....	357
Stipulation for extension of time to file transcript of record and docket appeal, to March 25, 1939	360
Stipulation for transmittal of original exhibits	356
Stipulation relating to and designating record on appeal, March 2, 1939.....	366
Stipulation relating to evidence at hearing on merits of Plan.....	46
Stipulation re notice of hearing and record on appeal, January 31, 1939.....	364
Testimony	147
Exhibits for Petitioner:	
1—Acceptance of Plan of Readjustment of Indebtedness (Respondent's Exhibit A in hearing July 18, 1938).....	150
3—Approval of Plan of Readjustment of Debts	150
4—Schedules covering purchases and/or sales in the Palo Verde Joint Levee District, Palo Verde Drainage and Palo Verde Irrigation District.....	151

Index	Page
Exhibits for Petitioner (continued):	
5—Authorization of Reconstruction Finance Corporation of loan to Palo Verde Irrigation District	153
6—Copy of letters from the Security-First National Bank to the Federal Reserve Bank dated Oct. 18 and 31, 1934, showing amount of bonds and amount of money	166
7—Numbers and amounts of Bonds of Palo Verde Irrigation District held by Federal Reserve Bank	169
8—Copy of \$4,000.00 note to D. A. Foley & Co.....	170
9—Escrow Agreement and Instructions received from bondholders	171
10—Escrow Agreement and Instructions form used by depositors of bonds	174
14—Testimony of Edwin F. Williams	184
15—Deposition of R. L. Adams.....	188
16—Document printed at Government Printing Office, Washington, 1930, entitled "Economic Survey of Certain Federal and Private Irrigation Projects, Hearings before the Committee	

Index	Page
Exhibits for Petitioner (continued):	
on Irrigation and Reclamation, House of Representatives, 71st Congress, 2nd Session”.....	194
17—Memorandum to Mr. Hyatt by Ray S. Carberry, Dec. 8, 1930	196
18—Resolution of Reconstruction Fi- nance Corporation authorizing loan to Palo Verde Irrigation District	201
19—Agreement between Palo Verde Irrigation District and Recon- struction Finance Corporation dated August 7, 1934.....	225
20—Agreement between Reconstruc- tion Finance Corporation and Palo Verde Irrigation District, August 7, 1934.....	236
23—Blueprint showing Bond Schedule	256
24—Statement of Comparative Crop Report, 1920 to 1936.....	257
25—Comparative Statement of As- sessment, Collections and De- linquencies	258
26—Comparative Statement of Un- paid Tax Sale Certificates.....	260
27—Statement of Redemptions dur- ing 1934, 1935 and 1936 under Special Laws	263

Index	Page
Exhibits for Petitioner (continued):	
28—Comparative Statement of Land Deeded to District for non-payment of District Taxes, 1931 to 1937, inclusive	264
29—Statement of Unpaid and Matured Principal and Interest as of September 1, 1937.....	265
30—Schedule of principal payments and interest payments on bonds should tax levy be required to pay all principal and interest past due and unpaid and to mature during the current year.....	267
31—Schedule of tax rates necessary to pay regular maturities of principal and interest plus general administrative expense for tax years 1937 to 1945, inclusive.....	268
32—Printed copy of Notice of Offer and Rehabilitation Plan.....	270
33—Printed copy of Notice of Offer and Second Rehabilitation Plan	272
34—Printed copy of Rehabilitation Plan No. 3	273
35—Palo Verde Valley Irrigation District Fund Statement, November 9, 1937.....	274

Index	Page
Exhibits for Petitioner (continued):	
36—Statement of Tax Delinquencies in Palo Verde Irrigation Dis- trict fiscal years 1929 to 1936, inclusive	285
37—Comparative Statement of land in Palo Verde Irrigation Dis- trict deeded to State of Cali- fornia for non-payment of county taxes, years 1930 to 1937, inclusive	285
Exhibits for Petitioner in Hearing July 18, 1938, in United States District Court:	
1—Reporter's transcript of testi- mony taken in the Superior Court, State of California, in and for the County of River- side, in Case No. 29147, to- gether with all exhibits in that case, with the exception of Ex- hibits 1 and 2.....	150
2—Certified copy of the resolution adopted by the Board of Trus- tees of Palo Verde Irrigation District, authorizing the com- mencement of this action. (Ex- hibit E in Petition for Com- position of Debts).....	36

	Index	Page
Exhibits for Respondent:		
A—Resolution authorizing instructions to Bank re R. F. C. Loan		178
B—Letter of Palo Verde Irrigation District of April 16, 1934.....		242
C—Letter of the same of June 7, 1937		246
D—Photo of intake (Description).....		253
E—1937 Crop Report.....		254
F—Portion of Bulletin 21.....		256
G—Photostatic copy of Palo Verde Levee Bond		280
H—Letter of R. F. C. to Mason, June 18, 1934		292
I—Stipulation between parties as to status of respondents.....		295
J—Judgment in favor of Jordan against District		315
K—Judgment in favor of Bank against District		318
Exhibits for Respondent in Hearing July 18, 1938, in United States District Court:		
A—Acceptance plan of readjustment of indebtedness of Palo Verde Irrigation District, Bankrupt, by Reconstruction Finance Corporation, on April 7, 1937. (No. 1 in State Court Proceedings)		150

Index	Page
Exhibits for Respondent (continued):	
B—Copy of petition in the state proceeding	325
Witnesses for Petitioner:	
Adams, R. L. (Deposition)	
—direct	188
Casey, J. W.	
—direct	320
Faries, Culbert W.	
—direct	171
Grant, R. A.	
—direct	323
Hauser, Lewis A.	
—direct	198
Jensen, R. V.	
—direct	182
Leavingsworth, Charles H.	
—direct	184
Mahoney, C. P.	
—direct	198
Malmgren, O. W.	
—direct	256
Manush, F. B.	
—direct	309
Meyer, L. C.	
—direct	152
Norville, Lloyd	
—direct	311

Index	Page
Witnesses for Petitioner (continued):	
Reynolds, Carroll B.	
—direct	307
Seeley, Tony	
—direct	313
Siegfried, Ralph	
—direct	151
Stebbins, Charles R.	
—direct	284
Wagner, W. B.	
—direct	286
—cross	291
Walsh, H. A.	
—direct	321
Williams, Edwin F.	
—direct	184
—recalled direct	194

NAMES AND ADDRESSES OF ATTORNEYS

For Appellants:

W. COBURN COOK, Esq.,
Berg Building, Turlock, California,

CHAS. L. CHILDERS, Esq.,
207 Bank of America Bldg.,
El Centro, California.

For Appellees:

Messrs. STEWART, SHAW & MURPHEY,
ARVIN B. SHAW, JR., Esq.,
835 Rowan Bldg., Los Angeles, California. [1*]

*Page numbering appearing at the foot of page of original certified Transcript of Record.

In the District Court of the United States for the Southern District of California, Central Division.

No. 31992-C
(In Bankruptcy)

In the Matter of Petition of PALO VERDE IRRIGATION DISTRICT, an Irrigation District, for Composition of Debts.

CITATION ON APPEAL

United States of America—ss.

To the Palo Verde Irrigation District, Petitioner in the Above Entitled Proceeding, and to all Attorneys and Solicitors of Record of said Party:

You are hereby cited and admonished to be and appear at a session of the United States Circuit Court of Appeals for the Ninth Circuit, to be held at the City of San Francisco, in the State of California, on the 30th day of November, 1938, pursuant to the appeal duly obtained and filed in the office of the Clerk of the above entitled court and in the above entitled cause, in which said appeal the following persons are appellants: James H. Jordan, J. R. Mason, L. F. Abadie, George F. Covell, and First National Bank of Tustin, a corporation, and in which said appeal the Palo Verde Irrigation District is appellee, and you are [2] required to show cause, if any there be, why the decree in said appeal mentioned should not be corrected and speedy jus-

tice should not be done to the parties in that behalf.

Witness, the Honorable George Cosgrave, United States District Judge for the Southern District of California, this 31st day of October, 1938, and of our Independence the 163rd.

G. COSGRAVE,

United States District Judge.

Received copy this 1st day of November, 1938.

STEWART, SHAW & MURPHEY,

By ARVIN B. SHAW, JR.

[Endorsed]: Filed Nov. 1, 1938. [3]

[Title of District Court and Cause.]

PETITION FOR COMPOSITION OF DEBTS.

To the Honorable, the Judge of the Above-Entitled Court:

Palo Verde Irrigation District, an irrigation district, files its petition for composition of debts and alleges:

I.

That Petitioner is an irrigation district duly organized on October 27, 1923, and now existing under and by virtue of the provisions of that certain Act of the Legislature of the State of California known as the "Palo Verde Irrigation District Act", (Stats. Cal. 1923, p. 1067) approved June 21, 1923, as amended.

II.

That the lands within the boundaries of Petitioner aggregate 95,000 acres and are situate in the Counties of Riverside and Imperial, California and in said Southern District of California, Central Division. That the major part of said lands is situate in said County of Riverside. That the office of Petitioner is situate in the City of Blythe, in said County of Riverside.

III.

That said Petitioner was organized for the purposes of taking over and merging in one organization the properties and functions of three separate entities theretofore existing in the territory known as the Palo Verde Valley, which territory is now embraced within the boundaries of Petitioner. That said three entities consisted of Palo Verde Mutual Water Company, a private corporation owning and operating an irrigation system in said Valley, Palo Verde [5] Joint Levee District of Riverside and Imperial Counties, California, a levee district owning and operating a levee system in said Valley, and Palo Verde Drainage District, a drainage district owning and operating a drainage system in said Valley.

IV.

That said Mutual Water Company was duly organized under the laws of the State of California on March 9, 1908, for the principal purpose of constructing, operating and maintaining an irrigation

system in said Valley, and did construct, operate and maintain such system until the transfer of said system to Petitioner, as hereinafter alleged. That on or about February 1, 1916, said Mutual Water Company executed a certain deed of trust, dated on said day, wherein and whereby it conveyed said irrigation system to Los Angeles Trust & Savings Bank, a banking corporation, in trust as security for the payment of coupon bonds of said Mutual Water Company dated on said day, in the aggregate principal amount of \$500,000.00, payable serially on February 1 of each year from 1921 to 1936, inclusive, with interest at the rate of six (6%) per cent per annum, payable February 1 and August 1 of each year. That said deed of trust was duly recorded in the office of the County Recorder of said County of Riverside in Book 443 of Deeds at Page 1, et seq. That thereafter said Mutual Water Company sold and issued all of said bonds. That there now remain unpaid bonds of said issue in the principal amount of \$170,000.00, together with interest coupons thereon maturing August 1, 1932, and thereafter. That by reason of various consolidations of banks, Security-First National Bank of Los Angeles, a national banking association, has succeeded to the office of trustee under said deed of trust.

V.

That, pursuant to the provisions of Section 11 of said Palo Verde Irrigation District Act, said Mutual Water Company transferred its said irrigation

system to Petitioner by deed dated December 1, [6] 1925, and in and by said deed Petitioner assumed and agreed to pay when due the principal and interest on each and all of the bonds secured by said deed of trust then remaining unpaid. That said deed was duly recorded in the office of the County Recorder of said County of Riverside in Book 662 at Page 152 of Official Records of said County.

VI.

That said Levee District was duly organized on June 17, 1914, under and by virtue of the provisions of that certain Act of the Legislature of the State of California entitled "An act to provide for the formation of levee districts in the various counties of this state, and to provide for the erection of levees, dikes and other works for the purpose of protecting the lands within such districts from overflow and to levy assessments to erect and construct and maintain such levees, dikes and other works and to pay the necessary costs and expenses of maintaining said districts", (Stats. Cal. 1905, p. 327) approved March 20, 1905, as amended. That said Levee District constructed, operated and maintained a levee system in said Palo Verde Valley until the organization of Petitioner. That on or about May 1, 1918, said Levee District authorized, pursuant to the provisions of that certain Act of the Legislature of the State of California entitled "An act authorizing levee districts of the state to incur a bonded indebtedness for the purpose of building,

constructing, or repairing levees of the district; or for excavating and constructing ditches or canals of such districts; or for the purpose of acquiring rights of way for any such levees, ditches, or canals; or for any and all of said purposes", (Stats. Cal. 1911, p. 303) approved March 8, 1911, as amended, an issue of coupon bonds of said District designated "First Issue", dated May 1, 1918, in the aggregate principal amount of \$1,253,951.86, payable serially on May 1 of each year from 1919 to 1958, inclusive, with interest at the rate of $6\frac{1}{2}\%$ per annum payable May 1, and November [7] 1 of each year thereafter. That thereafter said Levee District sold and issued all of said bonds. That there now remain unpaid bonds of said First Issue in the principal amount of \$911,951.86, together with substantially all interest coupons thereon maturing May 1, 1930, and thereafter.

VII.

That on or about November 1, 1922, said Levee District authorized, pursuant to the provisions of said Act, approved March 8, 1911, an issue of coupon bonds of said district, designated "Second Issue", dated November 1, 1922, in the aggregate principal amount of \$371,378.50, payable serially on November 1 of each year from 1923 to 1962, inclusive, with interest at the rate of $6\frac{1}{2}\%$ per annum payable May 1 and November 1 of each year. That said Levee District thereafter sold and issued all of said bonds. That there now remain unpaid bonds of said Second Issue in the principal amount of

\$304,378.50, together with substantially all interest coupons thereon maturing May 1, 1930, and thereafter.

VIII.

That by virtue of the provisions of Section 12 of said Palo Verde Irrigation District Act said Levee District was, upon the organization of Petitioner, merged in and superseded by Petitioner and ceased to exist except in so far as may be necessary to preserve the rights of bondholders and other creditors, and Petitioner assumed all of the outstanding indebtedness of said Levee District, including the principal and interest on said bonds of said First and Second Issues.

IX.

That said Drainage District was duly organized on August 16, 1921, under and by virtue of the provisions of that certain Act of the Legislature of the State of California entitled "An act to provide for the organization and government of drainage districts, for the drainage of agricultural lands other than swamp and overflowed [8] lands, and to provide for the acquisition or construction thereby of works for the drainage of the lands embraced within such districts" (Stats. Cal. 1903, p. 291) approved March 20, 1903, as amended. That said Drainage District constructed, operated and maintained a drainage system in said Palo Verde Valley until the organization of Petitioner. That on or about December 1, 1921, said Drainage District authorized, pursuant to said Act approved March 20, 1903, an

issue of coupon bonds, dated December 1, 1921, in the aggregate principal amount of \$850,000.00, payable serially on January 1 of each year from 1933 to 1942, inclusive, with interest at the rate of 6% per annum payable January 1 and July 1 of each year. That thereafter said Drainage District sold and issued bonds of said issue of the aggregate principal amount of \$250,000.00 and said Petitioner, after its organization, sold and issued bonds of said issue of the aggregate principal amount of \$600,000.00. That all bonds of said issue are now unpaid, together with substantially all interest coupons thereon maturing July 1, 1930, and thereafter.

X.

That by virtue of the provisions of Section 13 of said Palo Verde Irrigation District Act said Drainage District was, upon the organization of Petitioner, merged in and superseded by Petitioner and ceased to exist except in so far as may be necessary to preserve the rights of bondholders and other creditors, and Petitioner assumed all of the outstanding indebtedness of said Drainage District, including the principal and interest on all said bonds authorized by said Drainage District.

XI.

That on or about September 1, 1925, pursuant to the provisions of said Palo Verde Irrigation District Act, Petitioner authorized an issue of coupon bonds designated "First Issue", dated on said day,

in the aggregate principal amount of \$3,287,000.00, payable serially on July 1 of each year from 1937 to 1955, inclusive, with interest [9] at the rate of 6% per annum payable January 1 and July 1 of each year. That thereafter Petitioner sold and issued bonds of said First Issue in the aggregate principal amount of \$1,725,000.00, all of which said bonds, together with substantially all interest coupons thereon maturing July 1, 1930, and thereafter, are now unpaid. That on June 15, 1934, pursuant to the provisions of Section 23 of said Palo Verde Irrigation District Act, as amended, the unsold bonds of said First Issue, aggregating in principal amount \$1,562,000.00, were destroyed.

XII.

That on or about September 1, 1925, pursuant to the provisions of said Palo Verde Irrigation District Act, Petitioner authorized an issue of coupon bonds designated "Second Issue", dated on said day, in the aggregate principal amount of \$213,000.00, payable serially on July 1 of each year from 1937 to 1955, inclusive, with interest at the rate of 6% per annum payable January 1 and July 1 each year. That thereafter Petitioner sold and issued all of said bonds of said Second Issue, all of which said bonds, together with substantially all interest coupons thereon maturing July 1, 1930, and thereafter, are now unpaid.

XIII.

That on or about February 1, 1930, Petitioner, for value received, executed its promissory note, dated on said day, payable to the order of D. A. Foley & Co. and assigned to Bank of America, for the principal sum of \$4,000.00, payable January 2, 1932, with interest thereon at the rate of 7% per annum. That said note, together with interest thereon from date thereof, is unpaid.

XIV.

That Petitioner is unable to meet its obligations above mentioned as they mature and that it desires to effect a plan for the composition of its debts under the provisions of Sections 81, 82 and 83 of that certain act of the Congress of the United States of America, [10] entitled "An act to establish a uniform system of bankruptcy throughout the United States", as amended. That on account of adverse agricultural conditions in said Palo Verde Valley and the general depression which has prevailed during the greater part of the past twelve years, the market value of farm products produced within said valley had been generally less than the cost of production; that farming operations therein have been unprofitable; that petitioner in good faith levied taxes to pay its bonded indebtedness and operating expenses from the year 1927 to 1932, inclusive, but said taxes were greater than the ability of the land to produce, or of the farmers to pay

and Petitioner was, is and will continue to be unable to collect sufficient taxes to pay said obligations.

XV.

That a plan of composition of indebtedness has been prepared and is filed and submitted with this petition, to-wit, is attached to this petition, marked "Exhibit A" and by this reference made a part hereof.

That (1) the procedure to be followed, respectively, in the levy and collection of taxes, special assessment taxes or special assessments for the payment of the refunding bonds referred to in said plan of composition, (2) the character and effect of, and method of enforcing the liens sought to be created by the issuance of such refunding bonds and (3) the rights of the holders of such refunding bonds upon the issuance thereof, are in all respects such as are prescribed by the Palo Verde Irrigation District Act and acts amendatory thereof and supplementary thereto.

XVI.

That the unpaid coupon bonds herein mentioned and said note evidence the only indebtedness to be affected by said plan of composition and the holders of said bonds and note are the only creditors of Petitioner affected by said plan within the meaning [11] of said Act of Congress. That none of said indebtedness is owned or held by Petitioner.

XVII.

That Reconstruction Finance Corporation, an agency of the United States of America, owns and holds not less than fifty-one (51) per centum in amount, viz., more than ninety-six (96) per centum in amount, of all indebtedness affected by said plan of composition. That said corporation owns and holds said promissory note and not less than fifty-one (51) per centum in amount, viz., more than ninety-five (95) per centum in amount, of each of the issues of bonds above mentioned. That a true and correct list of said securities owned and held by said corporation is hereto attached, marked "Exhibit B" and by this reference made a part hereof.

XVIII.

That on May....., 1938, said Reconstruction Finance Corporation, in writing dated on said day, accepted said plan of composition. That said Reconstruction Finance Corporation has authorized a loan to Petitioner in the sum of \$1,039,423.00, to enable it fully to effect said plan.

XIX.

That a list of all known creditors affected by said plan, other than said Reconstruction Finance Corporation, with their addresses, so far as known to Petitioner, and a description of their respective securities, so far as is known, which list shows only persons who have not accepted said plan, is hereto attached, marked "Exhibit C" and by this reference

made a part hereof. That said "Exhibit C" has been compiled from the best sources of information available to Petitioner and is supposed by Petitioner to be correct, but is intended by Petitioner as a list of claims and not as an admission of liability to the particular persons listed. Transfers of bonds or coupons thereof listed on said "Exhibit C", or interest therein, either voluntary or by operation of law, may have occurred unknown to Petitioner and to Petitioner's sources of information and [12] Petitioner does not therefore intend by this paragraph to allege or admit the actual legal or equitable ownership of any bonds or coupons so listed, nor does petitioner admit the authenticity of any purported bonds or coupons held by any of the holders so listed, nor does Petitioner intend hereby to acknowledge any of said bonds or coupons so listed which are barred by any statute of limitations. That all claims against Petitioner are payable from taxes levied against the lands within Petitioner and are of a single class.

XX.

That a condensed summary showing separately the amounts and percentages of said indebtedness held respectively by said Reconstruction Finance Corporation and by others who have not accepted said plan is hereto attached, marked "Exhibit D" and by this reference made a part hereof.

XXI.

That said plan of composition is fair, equitable and for the best interests of Petitioner's creditors who are affected thereby and does not discriminate unfairly in favor of any creditor or class of creditors.

XXII.

That on the 10th day of May, 1938, the Board of Trustees of said Petitioner adopted a resolution proposing said plan of composition. That a certified copy of said resolution is hereto attached, marked "Exhibit E", and by this reference made a part hereof. That in and by said resolution said Petitioner authorized the filing of this petition and authorized Messers. Stewart, Shaw & Murphey, its duly and regularly appointed attorneys, to file the same and to represent Petitioner in the proceedings with respect thereto in the competent United States District Court.

XXIII.

That the following designated actions have heretofore been commenced in the Superior Court of the State of California, in and [13] for the County of Riverside, against Petitioner, and in some cases against said Levee District or said Drainage District, upon bonds or coupons, or both, issued by one or more of said three districts, for the purpose of obtaining judgments against Petitioner and said Levee District or said Drainage District on account

of such bonds or coupons, or both, or the enforcement of lien or levy of taxes therefor, to-wit:

1. Case No. 25393, in which Theo. Bernhard is plaintiff and Petitioner and said Levee District are defendants and in which George Herrington, Esq., is attorney for plaintiff.

2. Case No. 25560, in which James H. Jordan is plaintiff and Petitioner and said Levee District are defendants and in which W. Coburn Cook, Esq., is attorney for plaintiff.

3. Case No. 25561, in which said Jordan is plaintiff and Petitioner and said Drainage District are defendants, and in which said Cook is attorney for plaintiff.

4. Case No. 25579, in which George F. Covell is plaintiff and Petitioner and the Counties of Riverside and Imperial are defendants and said Cook is attorney for plaintiff.

5. Case No. 25587, in which J. R. Mason is plaintiff and Petitioner, said Levee District and said Counties of Riverside and Imperial are defendants and said Cook is attorney for plaintiff.

6. Case No. 25588, in which First National Bank of Tustin, California, is plaintiff and Petitioner and said Drainage District are defendants and said Cook is attorney for plaintiff.

7. Case No. 25594, in which L. F. Abadie is plaintiff and Petitioner is defendant and said Cook is attorney for plaintiff.

8. Case No. 26604, in which said Mason is plaintiff and Petitioner, said Levee District and said

Counties of Riverside and Imperial are defendants and said Cook is attorney for plaintiff.

9. Case No. 28684, in which said Jordan, Mason, Bank and Abadie and C. F. Veysey are petitioners and Petitioner, its Board [14] of Trustees and officers and others are respondents and said Cook is attorney for plaintiff.

10. Case No. 28881, in which said Bank is plaintiff and Petitioner and said Drainage District are defendants and said Cook is attorney for plaintiff.

11. Case No. 28882, in which said Jordan is plaintiff and Petitioner and said Drainage District are defendants and said Cook is attorney for plaintiff.

12. Case No. 28883 in which said Jordan is plaintiff and Petitioner and said Levee District are defendants and said Cook is attorney for plaintiff.

XXIV.

That the following designated action has heretofore been commenced in the Superior Court of the State of California, in and for the County of Alameda, for the purpose of obtaining judgment against Petitioner on account of coupons of bonds issued by Petitioner to-wit:

1. Case No. 072243, in which N. J. Cornwall is plaintiff and Petitioner is defendant and Messrs. Clark Nichols & Eltse are attorneys for plaintiff.

XXV.

That the following designated action has heretofore been commenced in the Justice's Court of

Riverside Township, County of Riverside, State of California, for the purpose of obtaining judgment against Petitioner on account of coupons of bonds issued by Petitioner, to-wit:

1. Case No. 2204, in which C. F. Veysey is plaintiff and Petitioner is defendant, and said Cook is attorney for plaintiff.

XXVI.

That in said case No. 25560 a default judgment was rendered by said Superior Court in favor of plaintiff and against defendant Levee District, and in said cases Nos. 25561 and 25588 default judgments [15] were likewise rendered in favor of plaintiff and against defendant Drainage District, all on the 11th day of March, 1935. That Petitioner appealed from said judgments on behalf of said Levee District and Drainage District, respectively, and that said appeals are pending undetermined before the District Court of Appeal of the State of California, in and for the Fourth Appellate District. That in said actions Nos. 25560 and 25588 judgments were rendered by said Superior Court in favor of plaintiff and against Petitioner on the 7th day of April, 1937. That Petitioner has appealed from said judgments and said appeals are pending undetermined before said District Court of Appeal.

XXVII.

That unless restrained by order of this Court, the plaintiffs and their attorneys in each and all of the above described actions will take steps and

proceedings looking to the enforcement of the levy of taxes for the payment of bonds or coupons involved in said actions and that such proceedings would interfere with and prevent the carrying out of said plan of composition and would, in part, render ineffective the carrying out of said plan and would interfere with the jurisdiction of this Court herein and Petitioner would be irreparably damaged thereby.

Wherefore, Petitioner prays:

1. That an order be entered approving this petition as properly filed under Chapter X of said Act of Congress and fixing a time and place for a hearing on this petition, and for the giving of notice as required in said Chapter;

2. That orders be made, enjoining or staying, pending the determination of this matter, the commencement or continuation of suits against Petitioner, or any officer or inhabitant thereof, on account of the securities affected by the plan, or to enforce any lien or to enforce the levy of taxes or assessments for the payment of obligations under any such securities, or any suit or process to [16] levy upon or enforce against any property acquired by Petitioner through foreclosure of any such tax lien or special assessment lien;

3. That upon completion of the hearing on the plan an interlocutory decree be entered approving the plan and putting it into effect;

4. That upon completion of the plan of composition a final decree be entered, discharging Petitioner

from all debts and liabilities, in accordance with the plan; and

5. That the Court grant such further orders, decrees and relief in the premises as may be just and equitable.

PALO VERDE IRRIGATION
DISTRICT,

By ROBERT A. GRANT,
President of Its Board of
Trustees.

Attest:

WAYNE H. FISHER,
Secretary of said Board.

Petitioner

STEWART, SHAW &
MURPHEY,

By ARVIN B. SHAW, JR.,
Its Attorneys.

[17]

State of California,
County of Riverside—ss.

R. A. Grant, being first duly sworn, deposes and says: That he is the duly elected, qualified and acting President of the Board of Trustees of Palo Verde Irrigation District, the Petitioner named in the foregoing petition, and makes this verification on its behalf; that he has been duly and regularly authorized by resolution of said Board to execute and verify this petition; that he has read said petition and knows the contents thereof and that the same is true of his own knowledge except as to the

matters which are therein stated upon his information or belief and as to those matters that he believes it to be true.

R. A. GRANT.

Subscribed and sworn to before me this 10th day of May, 1938.

[Seal] PETER GEISEL,
Notary Public in and for the
County of Riverside,
State of California.

[18]

EXHIBIT "A"

PLAN OF COMPOSITION
PALO VERDE IRRIGATION DISTRICT.

Palo Verde Irrigation District, being unable to meet its debts as they mature, desires to effect the following plan of composition:

Said debts consist principally of issued, outstanding and unpaid bonds issued or assumed by said District, to-wit, bonds issued by the following entities and in the amounts hereinafter set opposite the names of such entities, to-wit:

Palo Verde Mutual Water Company, Principal Amount.....	\$ 170,000.00
Palo Verde Joint Levee District of Riverside and Imperial Counties, California, first issue, Principal Amount.....	\$ 911,951.86
Palo Verde Joint Levee District of Riverside and Imperial Counties, California, second issue, Principal Amount.....	\$ 304,378.50
Palo Verde Drainage District, Principal Amount.....	850,000.00
Palo Verde Irrigation District, first issue, Principal Amount	\$1,725,000.00
Palo Verde Irrigation District, second issue, Principal Amount	\$ 213,000.00
Total.....	<u>\$4,174,330.36</u>

Together with certain unpaid coupons upon each of said bonds.

Said debts also include promissory note of said District payable to D. A. Foley & Co. in the principal amount of..... \$4,000.00

This District proposes and offers to deliver to each and all of the owners and holders of any of the above mentioned bonds cash, or at District's option, the bonds of this District of the "Third Issue of Bonds (Refunding)" of principal amount equal to 24.81¢ per dollar of the principal amount of the bonds of the above mentioned company and districts owned and held by the above mentioned owners and holders. Each of said bonds shall be accompanied by all of its appurtenant coupons which have not heretofore been paid. [19] In the event any such unpaid coupons due prior to May 31, 1933, are missing, the principal amount of cash, or at District's option, refunding bonds to be delivered by the District shall be reduced in the amount of 20.50¢ for each dollar of the face amount of such missing coupons. In the event any such unpaid coupons due May 31, 1933 or subsequently, are missing, the face amount of such coupons will

be deducted from the face amount of such cash, or at District's option, refunding bonds to be delivered by the District.

The District also proposes and offers to deliver to the owner and holder of said \$4,000.00 note cash, or at District's option, bonds of said District of said "Third Issue of Bonds (Refunding)" of principal amount equal to 25¢ per dollar of the principal amount of said note. The issuance of said "Third Issue of Bonds (Refunding)" was authorized by vote of the electors of said District at an election held on the 4th day of June, 1934, and by a resolution for the issuance and execution of such bonds adopted by said Board of Trustees at a meeting of said Board held on the 24th day of July, 1934, as amended, to which resolution reference is hereby made; said refunding bonds shall bear interest at the rate of four per cent (4%) per annum, payable semi-annually on January first and July first, shall be dated July 1, 1934, shall be payable in such funds as are on the respective dates of payment of the principal of and interest on said bonds made legal tender for debts due the United States of America, shall be payable at the office of the County Treasurer of Riverside County, in the County of Riverside, California, or at the National City Bank of New York in the Borough of Manhattan, City of New York, State of New York, at the option of the holder and shall be in thirty (30) series to mature annually from and including July 1, 1938, to and including July 1, 1967; said bonds and the coupons

thereon shall be in substantially the form set out in the resolution last mentioned and may be registerable at the option of the holder as to both principal and [20] interest; said District will provide that the schedule of maturities of said bonds set out in said last mentioned resolution shall be modified so as to provide bonds in such principal amounts as may be necessary to satisfy and comply with such final decree as may be made by the United States District Court in proceedings for the composition of indebtedness of said District under Chapter X of the National Bankruptcy Act.

The District shall also deliver to each and all of the owners and holders of any interest coupons detached from the above-mentioned bonds, cash, or at District's option, the bonds of said District of the "Third Issue of Bonds (Refunding)" of principal amount (a) equal to 20.50 cents for each dollar of face amount of any such detached coupons which came due prior to May 31, 1933, and (b) equal to the face amount of any such detached coupons due May 31, 1933, or subsequently.

The District will provide cash sufficient to pay to each owner and holder of bonds and coupons the difference between the sum of \$100.00 (or nearest multiple thereof) and the principal amount of refunding bonds required hereunder to be delivered to such person, to the end that such cash and refunding bonds in the principal amount of \$100.00 (or multiples thereof) shall be disbursed to such person. [21]

EXHIBIT "B"

LIST OF SECURITIES OWNED AND HELD
BY RECONSTRUCTION FINANCE COR-
PORATION,

whose address is 17th and "I" Streets, N. W.,
Washington, D. C. and which has accepted the plan
of composition.

Description of Claims.

I.

Bonds of Palo Verde Mutual Water Company:

Amount \$1,000.00 each.	
Nos. 243 to 380 inclusive,	\$138,000.00
Amount \$500.00 each.	
Nos. 491 to 530 inclusive,	20,000.00
Amount \$100.00 each.	
Nos. 861 to 972 inclusive,	
" 974 " 980 " "	11,900.00
	<hr/>
Total,	\$169,900.00

II.

Bonds of Palo Verde Joint Levee District of Riverside
and Imperial Counties, California (First Issue):

Amount \$1,000.00 each.

Nos. 353 to 354 inclusive	
" 360	
" 362	
" 373 " 380 " "	
" 385 " 390 " "	
" 393 " 402 " "	
" 404 " 450 " "	
" 453 " 480 " "	
" 486 " 493 " "	
" 495 " 517 " "	
" 519 " 1106 " "	
" 1108 " 1132 " "	

“	1134	“	1138	“	
“	1141	“	1154	“	
“	1156	“	1170	“	
“	1174	“	1204	“	
“	1207	“	1234	“	
“	1238	“	1285	“	\$886,000.00
			Amount	\$951.86	
No.	1286				951.86
				Total	\$886,951.86
					[22]

III.

Bonds of Palo Verde Joint Levee District of Riverside and Imperial Counties, California (Second Issue):

Amount \$1,000.00 each.

Nos.	66 to	70,	inclusive		
“	73	“	105	“	
“	107	“	116	“	
“	121	“	138	“	
“	141	“	147	“	
“	152	“	175	“	
“	177	“	204	“	
“	206				
“	208	“	371	“	\$290,000.00
			Amount	\$378.50	
No.	372				378.50
				Total,	\$290,378.50

IV.

Bonds of Palo Verde Drainage District:

Amount \$500.00 each.

Nos.	1 to	418,	inclusive		
“	423	“	464	“	
“	475	“	556	“	
“	562	“	563	“	
“	573	“	1565	“	
“	1567	“	1700	“	
				Total,	\$835,500.00
					[23]

V.

Bonds of Palo Verde Irrigation District (First Issue):

Amount \$1,000.00 each.

Nos.	1 to	5, inclusive
"	10	24
"	10	25
"	39	53
"	68	88
"	107	127
"	146	147
"	150	153
"	157	166
"	185	204
"	210	301
"	409	526
"	633	719
"	723	750
"	857	868
"	873	913
"	918	974
"	1081	1198
"	1305	1341
"	1352	1425
"	1534	
"	1537	1654
"	1763	1774
"	1780	1883
"	1992	2011
"	2017	2118
"	2234	2295
"	2306	2364
"	2484	2534
"	2540	2623
"	2752	2762
"	2764	2768
"	2774	2779
"	2785	2837
"	2839	2842
"	2848	2892
"	3020	3038

“ 3040 “ 3049 “		
“ 3051 “ 3155 “		
	Total,	\$1,649,000.00
		[24]

VI.

Bonds of Palo Verde Irrigation District (Second Issue):
Amount \$1,000.00 each.

Nos. 1 to 17, inclusive		
“ 20 “ 33 “		
“ 36 “ 124 “		
“ 126 “ 213 “		
	Total,	\$208,000.00

VII.

Promissory note of Palo Verde Irrigation District in favor of D. A. Foley & Co., in the principal amount of \$4,000.00, together with certain interest thereon.

[25]

EXHIBIT “C”

LIST OF BONDHOLDERS WHO HAVE
NOT ACCEPTED THE PLAN

I.

Holder		Description of Claim	
		Bond of Palo Verde Mutual Water Company	
Name	Address	No.	Amount
Unknown		973	\$100.00

II.

Holder	Description of Claim		
	Bond of Palo Verde Joint Levee District First Issue		
Name	Address	No.	Amount
J. R. Mason	1920 Lake St., San Francisco, Calif.,	391	\$ 1,000.00
“ “ “	“ “	392	1,000.00
“ “ “	“ “	403	1,000.00
J. H. Jordan	Riverside, Calif.	451	1,000.00
“ “ “	“ “	452	1,000.00
“ “ “	“ “	481	1,000.00
“ “ “	“ “	482	1,000.00
“ “ “	“ “	483	1,000.00
“ “ “	“ “	484	1,000.00
“ “ “	“ “	485	1,000.00
“ “ “	“ “	494	1,000.00
“ “ “	“ “	518	1,000.00
J. R. Mason	1920 Lake St., San Francisco, Calif.,	1107	1,000.00
J. H. Jordan	Riverside, Calif.,	1133	1,000.00
J. R. Mason	1920 Lake St., San Francisco, Calif.,	1139	1,000.00
“ “ “	“ “	1140	1,000.00
J. H. Jordan	Riverside, Calif.,	1171	1,000.00
J. R. Mason	1920 Lake St., San Francisco, Calif.,	1172	1,000.00
“ “ “	“ “	1173	1,000.00
“ “ “	“ “	1205	1,000.00
“ “ “	“ “	1206	1,000.00
“ “ “	“ “	1235	1,000.00
“ “ “	“ “	1236	1,000.00
“ “ “	“ “	1237	1,000.00
Unknown		1155	1,000.00
	Total,		\$25,000.00

III.

Holder		Description of Claim	
		Bond of Palo Verde Joint Levee District Second Issue	
Name	Address	No.	Amount
J. H. Jordan	Riverside, Calif.	106	\$1,000.00
" " "	" "	117	1,000.00
" " "	" "	118	1,000.00
" " "	" "	119	1,000.00
" " "	" "	120	1,000.00
" " "	" "	139	1,000.00
" " "	" "	140	1,000.00
J. R. Mason	1920 Lake St., San Francisco, Calif.	176	1,000.00
Unknown		148	1,000.00
		149	1,000.00
		150	1,000.00
		151	1,000.00
		205	1,000.00
		207	1,000.00
Total,			\$14,000.00
			[27]

IV.

Holder		Description of Claim	
		Bond of Palo Verde Drainage District	
Name	Address	No.	Amount
J. H. Jordan	Riverside, Calif.,	419	500.00
" " "	" "	420	500.00
" " "	" "	421	500.00
" " "	" "	422	500.00
Andrew Riegel	676 Berendo St., Los Angeles, Calif.,	465	500.00
" "	" "	466	500.00
" "	" "	467	500.00
" "	" "	468	500.00

Name	Address	No.	Amount
" "	" "	469	500.00
" "	" "	470	500.00
" "	" "	471	500.00
" "	" "	472	500.00
" "	" "	473	500.00
" "	" "	474	500.00
J. H. Jordan	Riverside, Calif.	557	500.00
" " "	" "	558	500.00
1st National Bank	Tustin, Calif.,	559	500.00
" " "	" "	560	500.00
" " "	" "	561	500.00
" " "	" "	564	500.00
" " "	" "	565	500.00
" " "	" "	566	500.00
" " "	" "	567	500.00
" " "	" "	568	500.00
" " "	" "	569	500.00
" " "	" "	570	500.00
" " "	" "	571	500.00
" " "	" "	572	500.00
Edgerton State Bank or Farmer's Com'l. Bank	Edgerton, Ohio	1566	500.00
Total,			\$14,500.00

[28]

V.

Holder	Description of Claim	No.	Amount
Bond of Palo Verde Irrigation District First Issue			
Name	Address	No.	Amount
Lottie Wright	5494 College Ave., Oakland, Calif.,	148	\$1,000.00
" "	" "	149	1,000.00
J. R. Mason	1920 Lake St., San Francisco, Calif.,	154	1,000.00
" " "	" "	155	1,000.00
" " "	" "	156	1,000.00

Name	Address	No.	Amount
A. K. Busche	335 Adeline St., Oakland, Calif.	205	1,000.00
" " "	" "	206	1,000.00
" " "	" "	207	1,000.00
" " "	" "	208	1,000.00
" " "	" "	209	1,000.00
J. R. Mason	1920 Lake St., San Francisco, Calif.,	720	1,000.00
" " "	" "	721	1,000.00
" " "	" "	722	1,000.00
N. J. Cornwall	892 Arlington Ave., Berkeley, Calif.,	869	1,000.00
" " "	" "	870	1,000.00
" " "	" "	871	1,000.00
" " "	" "	872	1,000.00
L. F. Abadie	750 Warfield St., Oakland, Calif.,	914	1,000.00
" " "	" "	915	1,000.00
" " "	" "	916	1,000.00
" " "	" "	917	1,000.00
" " "	" "	1342	1,000.00
" " "	" "	1343	1,000.00
" " "	" "	1344	1,000.00
" " "	" "	1345	1,000.00
" " "	" "	1346	1,000.00
" " "	" "	1347	1,000.00
" " "	" "	1348	1,000.00
" " "	" "	1349	1,000.00
" " "	" "	1350	1,000.00
" " "	" "	1351	1,000.00
Charles F. Veysey	Riverside, Calif.,	1535	1,000.00
" " "	" "	1536	1,000.00
A. K. Busche	335 Adeline St., Oakland, Calif.,	1775	1,000.00
" " "	" "	1776	1,000.00
" " "	" "	1777	1,000.00
" " "	" "	1778	1,000.00
" " "	" "	1779	1,000.00

Name	Address	No.	Amount
J. R. Mason	1920 Lake St., San Francisco, Calif.,	2012	1,000.00
“ “ “	“ “	2013	1,000.00
“ “ “	“ “	2014	1,000.00
“ “ “	“ “	2015	1,000.00
“ “ “	“ “	2016	1,000.00
			[29]

Holder	Description of Claim
	Bond of Palo Verde Irrigation District First Issue

Name	Address	No.	Amount
Geo. F. Covell	Modesto, Calif.,	2296	\$1,000.00
“ “ “	“ “	2297	1,000.00
“ “ “	“ “	2298	1,000.00
“ “ “	“ “	2299	1,000.00
“ “ “	“ “	2300	1,000.00
“ “ “	“ “	2301	1,000.00
“ “ “	“ “	2302	1,000.00
“ “ “	“ “	2303	1,000.00
“ “ “	“ “	2304	1,000.00
“ “ “	“ “	2305	1,000.00
A. K. Busche	335 Adeline St., Oakland, Calif.,	2535	1,000.00
“ “ “	“ “	2536	1,000.00
“ “ “	“ “	2537	1,000.00
“ “ “	“ “	2538	1,000.00
“ “ “	“ “	2539	1,000.00
N. J. Cornwall	892 Arlington Ave., Berkeley, Calif.,	2763	1,000.00
A. K. Busche	335 Adeline St., Oakland, Calif.,	2769	1,000.00
“ “ “	“ “	2770	1,000.00
“ “ “	“ “	2771	1,000.00
“ “ “	“ “	2772	1,000.00
“ “ “	“ “	2773	1,000.00
J. W. Spofford	703 Market St., San Francisco, Calif.,	2838	1,000.00

Name	Address	No.	Amount
N. J. Cornwall	892 Arlington Ave., Berkeley, Calif.,	2843	1,000.00
“ “ “	“ “	2844	1,000.00
“ “ “	“ “	2845	1,000.00
“ “ “	“ “	2846	1,000.00
“ “ “	“ “	2847	1,000.00
Unknown		2780	1,000.00
“		2781	1,000.00
“		2782	1,000.00
“		2783	1,000.00
“		2784	1,000.00
“		3039	1,000.00
Total,			\$76,000.00
			[30]

VI.

Holder	Description of Claim	No.	Amount
Bond of Palo Verde Irrigation District Second Issue			
Name	Address	No.	Amount
J. R. Mason	1920 Lake St., San Francisco, Calif.,	18	\$1,000.00
“ “ “	“ “	19	1,000.00
Walter G. Muhe	201 Sansome St., San Francisco, Calif.,	34	1,000.00
“ “ “	“ “	35	1,000.00
L. F. Abadie	750 Warfield St., Oakland, Calif.,	125	1,000.00
Total,			\$5,000.00
			[31]

EXHIBIT "D"

CONDENSED SUMMARY

Issue	Holder	Amount	%
P. V. Mutual Water Co.,	R. F. C.	\$169,900.00	99.94
	Others	100.00	0.06
	Total,	\$170,000.00	100.00
P. V. Joint Levee Dist., (1st Issue)	R. F. C.	\$886,951.86	97.26
	Others	25,000.00	2.74
	Total,	\$911,951.86	100.00
P. V. Joint Levee Dist., (2nd Issue)	R. F. C.	\$290,378.50	95.40
	Other	14,000.00	4.60
	Total,	\$304,378.50	100.00
P. V. Drainage Dist.,	R. F. C.	\$835,500.00	98.29
	Others	14,500.00	1.71
	Total,	\$850,000.00	100.00
P. V. Irrigation Dist., (1st Issue)	R. F. C.	\$1,649,000.00	95.59
	Others	76,000.00	4.41
	Total,	\$1,725,000.00	100.00
P. V. Irrigation Dist., (2nd Issue)	R. F. C.	\$208,000.00	97.65
	Others	5,000.00	2.35
	Total,	\$213,000.00	100.00
Note	R. F. C.	\$ 4,000.00	100.00
All Debts	R. F. C.	\$4,043,730.36	96.76
		134,600.00	3.24
	Total,	\$4,178,330.36	100.00

EXHIBIT "E"

RESOLUTION OF THE BOARD OF TRUSTEES OF PALO VERDE IRRIGATION DISTRICT AUTHORIZING THE INSTITUTION OF A PROCEEDING FOR COMPOSITION OF CERTAIN INDEBTEDNESS OF THE DISTRICT UNDER CHAPTER X OF THE NATIONAL BANKRUPTCY ACT.

Whereas, the territory within Palo Verde Irrigation District consists of lands used principally for agricultural purposes and said District owns and operates an irrigation system, a drainage system and a levee system used for the irrigation, reclamation and protection of said lands; and

Whereas, due to the general depression and adverse agricultural conditions existing throughout the United States for the past several years and the consequent low market value of farm products, the production of such products in said District has been without profit, the value thereof being often less than the cost of production, with the result that the owners of said lands have been, are and will be unable to pay to the District taxes levied upon such lands for the purpose of paying the District's indebtedness, as and when the installments of principal and interest thereon have matured or will mature; and

Whereas, by reason of such adverse agricultural conditions and accumulated delinquent taxes, the

value of the lands in said District has decreased until, were said lands to be required to pay said indebtedness, said lands for all practical purposes are and will be unmarketable; and

Whereas, the District, without success, has made due and diligent effort to collect the taxes so levied by it upon said lands and it has become apparent that, unless the outstanding indebtedness of the District were reduced and refinanced, the burden of the District taxes upon said lands would be greater than the value thereof; and [33]

Whereas, in an effort to relieve such condition, the District has applied to the Reconstruction Finance Corporation, an agency of the United States of America, for a loan of \$1,039,423.00, and such loan has been authorized for the purpose of reducing and refinancing the outstanding indebtedness of the District, consisting of bonds in the principal amount of \$4,174,330.36 and a certain promissory note in the sum of \$4,000.00; and

Whereas, the basis or ratio for reducing and refinancing such indebtedness was 24.81 cents for each dollar of the principal amount of said bonds, exclusive of interest, and 25 cents for each dollar of the principal amount of said promissory note, which the District determined was fair and equitable both to the holders of its outstanding indebtedness and to the owners of the lands within the District, and its Board of Trustees has duly adopted a resolution accepting such proposed loan and agreeing to carry out the terms and conditions of the resolu-

tion of said Corporation and contracts evidencing the same; and

Whereas, the provisions of said contracts cannot be availed of by the District, nor can the District consummate such loan, without the consent of all holders of said indebtedness; and

Whereas, said Corporation owns and holds 96.74 per cent in amount of all said indebtedness and other persons own and hold the remaining 3.26 per cent thereof; and

Whereas, it appears to be necessary and desirable that the District file and prosecute, to final determination, a proceeding in the District Court of the United States, in and for the Southern District of California, Central Division, pursuant to the provisions of Chapter X of the National Bankruptcy Act, approved July 1, 1898, for the composition of all said indebtedness in accordance with the plan of composition hereinafter set forth; [34]

Now, Therefore, be it Resolved, by the Board of Trustees of said District, that said Board does hereby find, determine and declare that each and all of the matters and things recited in the preamble to this resolution are true and correct, and that the interests of said District require that a petition be filed with said District Court, in whose territorial jurisdiction said District is located, for the purpose of effecting, through the decree of said Court, such plan of composition, and for that purpose Messrs. Stewart, Shaw & Murphey, attorneys for said District, are hereby instructed to prepare and file such

petition and prosecute proceedings thereon to final decree and take all steps and proceedings in the premises necessary to protect and further the interests of said District, including the restraining of actions heretofore or hereafter brought against said District upon, or in relation to, obligations of said District, and Mr. R. A. Grant, President of said Board of Trustees is hereby instructed to sign and verify such petition on behalf of said District and take all other steps necessary or appropriate toward the prosecution of such petition to final decree, and the officers of said District are authorized to pay the filing fee of \$100.00 required by said Act and such other expenses as may be necessary or proper in the premises; and

Be it Further Resolved that said Board does hereby find that the following plan of composition is fair, just and reasonable to the District and its creditors and does hereby declare and propose that such plan be submitted to said Court and to the creditors of said District for approval and effectuation through the decree of said Court.

(Here follows copy of plan of composition, Exhibit "A".)

[Endorsed]: Filed May 13, 1938. [35]

[Title of District Court and Cause.]

ORDER APPROVING PETITION
AND FOR NOTICE.

Upon reading and filing the verified petition of Palo Verde Irrigation District for composition of debts and it appearing from said petition that said Palo Verde Irrigation District is an irrigation district located within the territorial jurisdiction of this Court and is qualified to file such a petition under Chapter X of the National Bankruptcy Act and the Court being satisfied that said petition complies with said Chapter X and has been filed in good faith and good cause appearing therefor,

Now, Therefore, it is Hereby Ordered:

(1). That said petition is approved as properly filed under said Chapter X; and

(2). That Monday, the 18th day of July, 1938, at the hour of 10 o'clock a. m. is hereby fixed as the time for a hearing to be held before said Court on said petition and the Court Room numbered Room 482 in the Pacific Electric Building, situated at the southeast corner of Sixth and Main Streets, in the City of Los Angeles, State of California, is hereby fixed as the place for such hearing; and

(3). That the form of the notice to be given respecting said hearing shall be substantially the form of which copy is attached to this order marked Exhibit "A" and by this reference made a part of this order, which said form of notice is hereby [36]

approved and found to be sufficient in form and substance, and the clerk of this Court is hereby directed to execute and issue such notice in substantially said form; and

(4). That said petitioner is hereby required to give notice to its creditors of said hearing in the following manner, to-wit:

(a) By publication of said notice, at least once a week for three successive weeks, in "The Los Angeles Daily Journal", a newspaper of general circulation printed and published in the City of Los Angeles, State of California, and within the jurisdiction of this Court, and in "Pacific Coast Edition, The Wall Street Journal", which the court finds to be a paper having a general circulation among bond dealers and bondholders, and in no other publication;

(b) By mailing a copy of said notice, postage prepaid, to each creditor of petitioner named in the petition, at the address of such creditor given in the petition, or, if no address is given in the petition for any creditor and the address of such creditor cannot, with reasonable diligence, be ascertained, then a copy of said notice shall be mailed, postage prepaid, to such creditor addressed to him in care of the Clerk of this court;

(c) All expense of giving notice as herein provided shall be paid by the petitioner and the notice shall be first published and the mailing of copies

thereof shall be completed at least sixty (60) days before the date hereinabove fixed for said hearing.

Dated this 13th day of May, 1938.

GEO. COSGRAVE,
Judge.

[37]

EXHIBIT "A"

NOTICE TO CREDITORS OF PALO VERDE
IRRIGATION DISTRICT, INCLUDING
HOLDERS OF BONDS OF PALO VERDE
MUTUAL WATER COMPANY, PALO
VERDE JOINT LEVEE DISTRICT OF
RIVERSIDE AND IMPERIAL COUNTIES,
CALIFORNIA, AND PALO VERDE DRAIN-
AGE DISTRICT.

Notice is Hereby Given to all creditors of Palo Verde Irrigation District, an irrigation district organized and existing under and by virtue of the act of the Legislature of the State of California designated the "Palo Verde Irrigation District Act", and having its office at Blythe, California, including all holders of bonds issued or authorized by Palo Verde Mutual Water Company, a corporation, Palo Verde Joint Levee District of Riverside and Imperial Counties, California, a levee district, and Palo Verde Drainage District, a drainage district, which corporation, levee district and drainage district were organized under the laws of said state, as follows:

(1). That said Palo Verde Irrigation District has filed in the District Court of the United States, in and for the Southern District of California, Central Division, a Petition for composition of debts under Chapter X of the Act of Congress entitled "An Act to Establish a Uniform System of Bankruptcy Throughout the United States", approved July 1, 1898, as amended, which petition states, among other things, that said District is unable to meet its debts as they mature and that it desires to effect a composition of its debts under the provisions of said Chapter X and said District has filed and submitted, attached to said petition and marked "Exhibit A", a proposed Plan of Composition of Debts and has alleged that the holder of more than ninety-six (96) per cent of the debts affected by said Plan has accepted said Plan in writing;

(2). That the debts of said Palo Verde Irrigation District affected by said Plan of Composition include only the following securities, to-wit: All outstanding and unpaid [38] bonds and coupons thereof heretofore issued or authorized by said District and by said Palo Verde Mutual Water Company, Palo Verde Joint Levee District of Riverside and Imperial Counties, California, and Palo Verde Drainage District and a certain \$4,000.00 promissory note executed by said Palo Verde Irrigation District in favor of D. A. Foley and Company;

(3). That said plan of composition in general provides that said Palo Verde Irrigation District proposes to deliver to the owners and holders of said bonds, in exchange therefor, cash, or at said District's option, the bonds of said District of the "Third Issue of Bonds (Refunding)" of principal amount equal to 24.81¢ per dollar of the principal amount of said outstanding bonds, provided each such outstanding bond shall be accompanied by all appurtenant unpaid coupons, and certain deductions shall be made for missing coupons, and corresponding allowances made for detached coupons. Said District also proposes to deliver to the owner and holder of said \$4,000.00 note, in exchange therefor, cash, or at District's option, the bonds of said refunding issue equal in principal amount to 25¢ per dollar of the principal amount of said note. For further details reference is made to said petition and said Exhibit "A".

(4). That said bonds of said refunding issue shall bear interest at the rate of 4% per annum, payable semi-annually, shall be payable at the office of the County Treasurer of Riverside County, California, or, at option of holder, at National City Bank of New York, in such funds as are on dates of payments legal tender for debts due the United States, shall mature serially each year from 1938 to 1967, inclusive, and may be registerable at option of holder as to principal and interest;

(5). That said petition has been approved by said Court as properly filed under said Chapter X and is now pending in said court;

(6). That a hearing will be held before said Court on [39] July 18, 1938, at the hour of 10 o'clock a. m., at the court room numbered 482, in the Pacific Electric Building situated at the south-east corner of Sixth and Main Streets, in the City of Los Angeles, State of California, for the purpose of considering said plan of composition and any changes or modifications thereof which may be proposed or decreed to be necessary or proper and for the further purpose of hearing any creditor controverting by answer any of the material allegations of said petition or setting up any objection he may have to said plan of composition;

(7). That at any time not less than ten (10) days prior to the time fixed for said hearing any creditor of said petitioner affected by said plan of composition may file an answer to said petition controverting any of the material allegations therein and setting up any objection he may have to said plan of composition;

(8). All creditors are required to file proof of their claims in writing by answer or other sworn written statement thereof in detail on or before the date fixed for said hearing.

By order of said United States District Court dated this day of May, 1938.

[Seal]

.....
Clerk of the United States District Court.

By.....
Deputy.

[Endorsed]: May 13, 1938. [40]

[Title of District Court and Cause.]

STIPULATION RELATING TO EVIDENCE AT
HEARING ON MERITS OF PLAN.

It is Hereby Stipulated by and between petitioner above named and the respondents represented by their undersigned attorney as follows :

1. That a transcript containing all oral evidence introduced, all objections and rulings thereon and all stipulations made at the trial held in the Superior Court of the State of California, in and for the County of Riverside, November 17th to 23rd inclusive, 1937, in that certain matter then pending in said Superior Court entitled "In the Matter of the Application of Palo Verde Irrigation District, an irrigation district, for Readjustment of Debts", being case or matter No. 29147 upon the Civil Register of Actions of said Superior Court may be prepared and certified by the Official Reporter of said Superior Court.

2. That such transcript and all exhibits introduced in evidence or for identification in said matter in said Superior Court may be offered in evidence at the hearing on the merits of the petition herein and of the proposed plan of composition, to be held in the above entitled District Court, now set for July 18th, 1938, or at any continuance or continuances thereof, without production in Court of the witnesses who testified in said Superior Court and may be received in evidence with the same

effect as if said witnesses had testified in said District Court as their testimony appears in said transcript, subject to all proper exceptions and objections other than that the witnesses were not produced in court nor sworn nor testified orally. All stipulations made at said hearing in said [41] Superior Court shall be deemed made in said District Court.

3. That any of the parties hereto may introduce at said hearing set for July 18th, 1938, or continuance or continuances thereof, such additional evidence as they may be advised.

4. That no material change in the conditions affecting and relating to petitioner, its indebtedness, or the merits of the petition or the proposed plan of composition herein submitted, has occurred since the said hearing of November 17th to 23rd, 1937, inclusive, or will occur prior to July 18th, 1938, except that holders of certain of petitioner's bonds may have transferred or may transfer their respective bonds.

5. That at such hearing to be held in said District Court on July 18th, 1938, or any continuance or continuances thereof, the matter of the merits of said petition and plan of composition shall be submitted to said District Court for decision upon said transcript of oral evidence and stipulations, said exhibits, such additional evidence as the parties may desire to adduce, such objections, exceptions and contentions as the parties may desire to present and upon this stipulation.

Dated this 20th day of June, 1938.

STEWART, SHAW & MURPHEY,

By ARVIN B. SHAW, JR.,

Attorneys for Petitioner.

W. COBURN COOK,

Attorney for J. R. Mason, James

H. Jordan and L. F. Abadie.

[Endorsed]: Filed June 28, 1938. [42]

[Title of District Court and Cause.]

PROOF OF CLAIM.

H. A. Mulligan, upon oath, says that he is Treasurer of the Reconstruction Finance Corporation, an agency of the United States Government, having its principal place of business in the City of Washington, District of Columbia, and that he is duly authorized to make this proof, and says that the Palo Verde Irrigation District of Blythe, in the State of California, which has heretofore filed a petition for the composition of its debts, was at and before the filing of the petition, and still is, indebted to Reconstruction Finance Corporation in the amount of Four Million Forty-Three Thousand Seven Hundred Thirty Dollars and Thirty-Six Cents (\$4,043,730.36), consisting of a note executed by Palo Verde Irrigation District, dated February 1, 1930, due January 2, 1932, payable to D. A. Foley & Company for the sum of \$4,000, and a portion of six issues of bonds of such District as follows:

Palo Verde Mutual Water Company
 First Mortgage Six Per Cent Serial
 Bonds—

Serial Numbers	Prin. Amount	Maturity Date	Total Amount
243/264	\$1000	2/1/32	\$22,000.00
265/267	"	2/1/33	3,000.00
268/272	"	"	5,000.00
273/286	"	"	14,000.00
287/308	"	2/1/34	22,000.00
309/319	"	2/1/35	11,000.00
320/326	"	"	7,000.00
327/330	"	"	4,000.00
331/380	"	2/1/36	50,000.00
491/500	500	2/1/32	5,000.00
501/502	"	2/1/33	1,000.00
503	"	"	500.00
504/508	"	"	2,500.00
509/510	"	"	1,000.00
511/517	"	2/1/34	3,500.00
518	"	"	500.00
519/520	"	"	1,000.00
521/530	"	2/1/35	5,000.00
861/889	100	2/1/32	2,900.00
891	"	2/1/33	100.00
892/901	"	"	1,000.00
902/904	"	"	300.00
905/920	"	"	1,600.00
			[43]
921/939	100	2/1/34	1,900.00
940	"	"	100.00
941/950	"	"	1,000.00
951/972	"	2/1/35	2,200.00
974/980	"	"	700.00
890	"	2/1/32	100.00

Total Purchased.....\$169,900.00

Palo Verde Joint Levee District
of Riverside and Imperial Counties
6½% Bonds—First Issue

Serial Numbers	Prin. Amount	Maturity Date	Total Amount
353/354	\$1000	5/1/30	\$ 2,000.00
360	"	"	1,000.00
362	"	"	1,000.00
373	"	"	1,000.00
374/377	"	"	4,000.00
378	"	"	1,000.00
385/388	"	5/1/31	4,000.00
389/390	"	"	2,000.00
393	"	"	1,000.00
394/397	"	"	4,000.00
398/399	"	"	2,000.00
400/402	1000	5/1/31	3,000.00
404/405	"	"	2,000.00
406	"	"	1,000.00
407/410	"	"	4,000.00
411/416	"	"	6,000.00
417/448	"	5/1/32	32,000.00
449/450	"	5/1/33	2,000.00
453/480	"	"	28,000.00
486/493	"	5/1/34	8,000.00
495/512	"	"	18,000.00
513/517	"	5/1/35	5,000.00
519/544	"	"	26,000.00
545/576	"	5/1/36	32,000.00
577/578	"	5/1/37	2,000.00
584/585	"	"	2,000.00
586/608	"	"	23,000.00
579/583	"	"	5,000.00
609/640	"	5/1/38	32,000.00
641/672	"	5/1/39	32,000.00
673/704	"	5/1/40	32,000.00
705/736	"	5/1/41	32,000.00
737/768	"	5/1/42	32,000.00
769/800	"	5/1/43	32,000.00
801/832	"	5/1/44	32,000.00
833/864	"	5/1/45	32,000.00

Serial Numbers	Prin. Amount	Maturity Date	Total Amount
865/896	"	5/1/46	32,000.00
897/928	"	5/1/47	32,000.00
929/960	"	5/1/48	32,000.00
961/992	"	5/1/49	32,000.00
993/998	"	5/1/50	6,000.00
999/1024	"	"	26,000.00
1025/1056	"	5/1/51	32,000.00
1057/1088	"	5/1/52	32,000.00
1089/1106	"	5/1/53	18,000.00
1108/1120	"	"	13,000.00
1121/1132	"	5/1/54	12,000.00
1134/1138	"	"	5,000.00
1141/1152	"	"	12,000.00
1153/1154	"	5/1/55	2,000.00
1156/1170	"	"	15,000.00
1174/1184	"	"	11,000.00
			[44]
1185/1204	\$1000	5/1/56	20,000.00
1207/1216	"	"	10,000.00
1217/1234	"	5/1/57	18,000.00
1238/1248	"	"	11,000.00
1249/1285	"	5/1/58	37,000.00
1286	951.86	"	951.86
			<hr/>
Total Purched.....			\$886,951.86

Palo Verde Joint Levee District
of Riverside and Imperial Counties
6½% Bonds—Second Issue

Serial Numbers	Prin. Amount	Maturity Date	Total Amount
66/70	\$1000	11/1/30	\$ 5,000.00
73/75	"	11/1/31	3,000.00
76	"	"	1,000.00
77/79	"	"	3,000.00
80/81	"	"	2,000.00
82/86	"	11/1/32	5,000.00
87/93	"	"	7,000.00
94/102	"	11/1/33	9,000.00
103/105	"	11/1/34	3,000.00

Serial Numbers	Prin. Amount	Maturity Date	Total Amount
107/111	“	“	5,000.00
112/116	“	11/1/35	5,000.00
121/129	“	11/1/36	9,000.00
130/131	“	11/1/37	2,000.00
135/138	“	“	4,000.00
141/147	“	11/1/38	7,000.00
152/156	“	11/1/39	5,000.00
157/165	“	11/1/40	9,000.00
166/174	“	11/1/41	9,000.00
175	“	11/1/42	1,000.00
132/134	“	11/1/37	3,000.00
177/186	“	11/1/42	10,000.00
187/195	“	11/1/43	9,000.00
196/204	“	11/1/44	9,000.00
206	“	11/1/45	1,000.00
208/213	“	“	6,000.00
214/222	“	11/1/46	9,000.00
223/231	“	11/1/47	9,000.00
232/240	“	11/1/48	9,000.00
241/249	“	11/1/49	9,000.00
250/258	“	11/1/50	9,000.00
259/267	“	11/1/51	9,000.00
268/279	“	11/1/52	12,000.00
280/288	“	11/1/53	9,000.00
289/292	“	11/1/54	4,000.00
293	“	“	1,000.00
294/297	“	“	4,000.00
298/306	“	11/1/55	9,000.00
307/315	“	11/1/56	9,000.00
316/324	“	11/1/57	9,000.00
325	“	11/1/58	1,000.00
326/333	“	“	8,000.00
334/342	“	11/1/59	9,000.00
343/351	“	11/1/60	9,000.00
352/360	“	11/1/61	9,000.00
361/371	“	11/1/62	11,000.00
372	378.50	“	378.50

Total Purchased.....\$290,378.50

[45]

Palo Verde Drainage District, First Issue
6% Bonds

Serial Numbers	Prin. Amount	Maturity Date	Total Amount
1/15	\$ 500.00	1/1/33	\$ 7,500.00
16/17	"	"	1,000.00
18	"	"	500.00
19	"	"	500.00
20/80	"	"	30,500.00
81	"	"	500.00
82	"	"	500.00
83/85	"	"	1,500.00
86/187	"	1/1/34	51,000.00
188/306	"	1/1/35	59,500.00
307/341	"	1/1/36	17,500.00
342/343	"	"	1,000.00
346/358	"	"	6,500.00
359	"	"	500.00
360/378	"	"	9,500.00
344/345	"	"	1,000.00
379/384	"	"	3,000.00
385/394	"	"	5,000.00
395/407	"	"	6,500.00
408/418	"	"	5,500.00
423/442	"	"	10,000.00
443/464	"	1/1/37	11,000.00
475/556	"	"	41,000.00
562/563	"	"	1,000.00
573	"	"	500.00
574/595	"	"	11,000.00
596/685	"	1/1/38	45,000.00
686/695	"	"	5,000.00
696/728	"	"	16,500.00
729	"	"	500.00
730/765	"	"	18,000.00
766/952	"	1/1/39	93,500.00
953/1173	"	1/1/40	110,500.00
1174/1251	"	1/1/41	39,000.00
1252/1255	"	"	2,000.00
1256/1259	"	"	2,000.00
1260	"	"	500.00

Serial Numbers	Prin. Amount	Maturity Date	Total Amount
1261/1428	“	“	84,000.00
1429/1524	“	1/1/42	48,000.00
1525/1544	“	“	10,000.00
1545/1565	“	“	10,500.00
1567/1700	“	“	67,000.00
Total Purchased.....			\$835,500.00

Palo Verde Irrigation District, First Issue,
6%.

Serial Numbers	Prin. Amount	Maturity Date	Total Amount
1/5	\$1000	7/1/37	\$ 5,000.00
10/24	“	7/1/38	15,000.00
39/47	“	7/1/39	9,000.00
48	“	“	1,000.00
49/53	“	“	5,000.00
68/73	“	7/1/40	6,000.00
74/78	“	“	5,000.00
79/88	“	“	10,000.00
107/127	“	7/1/41	21,000.00
146/147	“	7/1/42	2,000.00
150/153	“	“	4,000.00
157/166	“	“	10,000.00
185/189	“	7/1/43	5,000.00
[46]			
190/197	\$1000	7/1/43	8,000.00
198/204	“	“	7,000.00
210/301	“	“	92,000.00
409/425	“	7/1/44	17,000.00
431/455	“	“	25,000.00
456/526	“	“	71,000.00
426/430	“	“	5,000.00
633/634	“	7/1/45	2,000.00
635/639	“	“	5,000.00
640/672	“	“	33,000.00
673/703	“	“	31,000.00
704	“	“	1,000.00
705/719	“	“	15,000.00

Serial Numbers	Prin. Amount	Maturity Date	Total Amount
723/750	“	“	28,000.00
857/868	“	7/1/46	12,000.00
873/913	“	“	41,000.00
918/974	“	“	57,000.00
1081/1158	“	7/1/47	78,000.00
1161/1198	“	“	38,000.00
1305/1341	“	7/1/48	37,000.00
1352/1425	“	“	74,000.00
1534	“	7/1/49	1,000.00
1537/1654	“	“	118,000.00
1763/1774	“	7/1/50	12,000.00
1780/1883	“	“	104,000.00
1992/2011	“	7/1/51	20,000.00
2017/2118	“	“	102,000.00
2234/2295	“	7/1/52	62,000.00
2306/2364	“	“	59,000.00
2484/2534	“	7/1/53	51,000.00
2540/2623	“	7/1/53	84,000.00
2752/2762	“	7/1/54	11,000.00
2764/2768	“	“	5,000.00
2774/2779	“	“	6,000.00
2785/2837	“	“	53,000.00
2839/2842	“	“	4,000.00
2848/2867	“	“	20,000.00
2868/2869	“	“	2,000.00
2870/2892	“	“	23,000.00
3020/3038	“	7/1/55	19,000.00
3040/3044	“	“	5,000.00
3045/3046	“	“	2,000.00
3047/3048	“	“	2,000.00
3049	“	“	1,000.00
3050	“	“	1,000.00
3051/3155	“	“	105,000.00
1159/1160	“	7/1/47	2,000.00

Total Purchased.....\$1,649,000.00

Palo Verde Irrigation District, Second Issue Bonds

Serial Numbers	Prin. Amount	Maturity Date	Total Amount
1/11	\$1000	7/1/37	\$11,000.00
12/17	"	7/1/38	6,000.00
20/22	"	"	3,000.00
23/33	"	7/1/39	11,000.00
36/44	"	7/1/40	9,000.00
45/55	"	7/1/41	11,000.00
56/66	"	7/1/42	11,000.00
67/77	"	7/1/43	11,000.00
78/88	"	7/1/44	11,000.00
89/99	"	7/1/45	11,000.00
100/110	"	7/1/46	11,000.00
111/121	"	7/1/47	11,000.00
			[47]
122/124	"	7/1/48	3,000.00
126/132	"	"	7,000.00
133/143	"	7/1/49	11,000.00
144/154	"	7/1/50	11,000.00
155/165	"	7/1/51	11,000.00
166/177	"	7/1/52	12,000.00
178/189	"	7/1/53	12,000.00
190/201	"	7/1/54	12,000.00
202/213	"	7/1/55	12,000.00
			<hr/>
		Total Purched.....	\$208,000.00

Total bonds held by RFC	\$4,039,730.36
Note executed by Palo Verde Irrigation District, dated February 1, 1930, due January 2, 1932, payable to D. A. Foley & Company	4,000.00
	<hr/>
Total Securities held by RFC.....	\$4,043,730.36

That no part of the debt has been paid and that there are no set-offs or counter-claims to the same; and that said Corporation has not, nor has any person by its order, or to the knowledge or belief

of this deponent, for its use, had or received any manner of security for said debt whatever.

H. A. MUNYER,

Treasurer,
Reconstruction Finance
Corporation.

Subscribed and sworn to before me this 7th day of June, 1938.

[Notarial Seal] MARTHA LAFITTE RAY,
Notary Public

My commission expires July 15, 1941.

[Endorsed]: Filed June 29, 1938.

[48]

[Title of District Court and Cause.]

ANSWER AND OBJECTIONS TO PETITION
FOR COMPOSITION OF DEBTS

Comes now the respondents James H. Jordan, J. R. Mason, L. F. Abadie, George F. Covell, and First National Bank of Tustin, a corporation, creditors of petitioner Palo Verde Irrigation District, and by way of answer and objections to the petition for composition of debts, and without consenting thereto, admit, deny and allege:

I.

That respondents, and each of them, are creditors of the Palo Verde Irrigation District, in that they are severally the owners of certain bonds of

the Palo Verde Irrigation and/or Palo Verde Joint Levee District of Riverside and Imperial Counties, California, and/or Palo Verde Drainage District, in the principal amounts hereinafter set forth, together with interest coupons originally attached to said bonds representing unpaid interest and/or of coupons detached from bonds of said district, all as hereinafter described, and that said bonds and interest coupons so owned by said respondents are among the securities which the petitioner describes or refers to in said petition as affected by the plan of composition of debts, and that said bonds and coupons are unpaid and outstanding, and will be materially and adversely affected by the plan of composition of debts proposed by petition in these proceedings.

That the respondent James H. Jordan is the owner of bonds of the Palo Verde Joint Levee District of Riverside and Imperial [49] Counties in the sum of \$18,000.00, bearing interest at 6½% per annum payable semi-annually and evidenced by interest coupons. That respondent is the owner of certain interest coupons of said levee district maturing May 1, 1930 and subsequently which are wholly unpaid. That the respondent James H. Jordan is the owner of bonds of the Palo Verde Drainage District in the sum of \$3,000.00, bearing interest at 6% per annum payable semi-annually and evidenced by interest coupons. That said respondent is the owner of certain interest coupons of said

drainage district maturing July 1, 1930 and subsequently which are wholly unpaid.

That respondent J. R. Mason is the owner of \$13,000.00 of bonds of the Palo Verde Irrigation District, together with unpaid interest coupons due semi-annually commencing with the year 1930, and for each subsequent year thereafter, said interest coupons representing interest upon said bonds at the rate of 6% per annum. That said respondent is also the owner of \$14,000.00 of bonds of the Palo Verde Joint Levee District of Riverside and Imperial Counties, California, bearing interest at 6½% per annum, together with unpaid interest coupons due semi-annually commencing with the years 1930 and 1931, and for each year thereafter.

That respondent L. F. Abadie is the owner of \$15,000.00 of bonds of the Palo Verde Irrigation District, bearing interest at 6% per annum, together with unpaid interest coupons due semi-annually commencing with the year 1930, and for each year thereafter.

That respondent George F. Covell is the owner of \$10,000.00 of bonds of the Palo Verde Irrigation District, bearing interest at 6% per annum, together with unpaid interest coupons due semi-annually commencing with the year 1930, and for each year thereafter.

That respondent First National Bank of Tustin is the owner [50] of \$6,000.00 of bonds of the Palo Verde Drainage District, bearing interest at 6% per annum, together with unpaid interest coupons

due semi-annually commencing with the year 1930, and for each year thereafter.

That the bonds and interest coupons held as aforesaid by said respondents, and each of them, will be more particularly set forth in proofs of claims filed in the above-entitled proceedings.

That respondents, and each of them, under and by virtue of the bonds and interest coupons owned and held by them and hereinbefore described, are creditors of the Palo Verde Irrigation District.

II.

Said respondents deny that petitioner is unable to meet its obligations as they mature, and in that connection respondents are informed and believe, and upon such information and belief allege that 96% or thereabouts of the obligations alleged in said petition have been paid with funds obtained from or furnished by Reconstruction Finance Corporation, and that by a contract, or by contracts, duly made and executed between *petition* and Reconstruction Finance Corporation the petitioner is obligated to Reconstruction Finance Corporation in an amount equal to 24.81% or thereabouts of 96% of the total obligations alleged in said petition, or in a total sum of \$966,000.00 or thereabouts, together with interest thereon at the rate of 4% per annum, payable semi-annually, and no more, and that with which amount so loaned or advanced by Reconstruction Finance Corporation, more than \$4,000,000.00 of the principal obligations of *petition*

alleged in said petition, with approximately \$1,500,000.00 in interest coupons attached to the bonds representing the same, has in legal effect been extinguished. [51]

III.

That respondents have no information or belief sufficient to enable them to answer paragraphs XVIII and XXII of said petition, and placing their denial on that ground, deny each and every allegation of said paragraphs.

IV.

Respondents deny the allegations of paragraph XXI of said petition, and deny that said plan of composition is fair, equitable, or for the best interests of petitioner's creditors, and deny that said plan does not discriminate unfairly in favor of any creditor or class of creditors. Respondents allege that said plan discriminates unfairly in favor of the Reconstruction Finance Corporation.

V.

Respondents deny that there have been adverse agricultural conditions in the Palo Verde Valley, and deny that the market value of farm products produced within said valley has been less than the cost of production; deny that farming operations therein have been unprofitable; deny that petitioner in good faith levied taxes to pay its bonded indebtedness and operating expenses from 1927 to 1932, and deny that taxes were greater than the ability of

the land to produce or of the farmers to pay, and deny that petitioner is or will continue to be unable to collect sufficient taxes to pay its obligations.

VI.

Referring to the allegations of paragraph XV of said petition, respondents allege that the plan therein mentioned was prepared and substantially completed and executed several years before the commencement of this proceeding, and that said plan is not a plan of composition pursuant to the act under which this proceeding is taken. [52]

VII.

As to paragraph XVI of said petition, respondents allege that the only persons or parties affected by the plan therein mentioned are certain owners and holders of bonds and interest coupons which the Palo Verde Irrigation District is obligated to pay, including the respondents, who have not consented nor agreed to said plan.

VIII.

Deny that Reconstruction Finance Corporation, an agency of the United States of America, or otherwise, owns and holds not less than 51% in amount, viz., more than 96% in amount, of indebtedness affected by said plan of composition, and respondents deny that said Reconstruction Finance Corporation owns or holds any other principal amount of all or any of the indebtedness affected by said alleged plan of composition. Respondents deny that said corporation owns said promissory note

alleged in the petition and/or not less than 51% in amount, viz., more than 95% in amount, or any other percent, of any of the issues of bonds or interest coupons alleged in said petition, and deny that said corporation owns the list of indebtedness set out in Exhibit "B" attached to said petition, or any part thereof.

IX.

As to paragraph XVIII of said petition, respondents allege that said Reconstruction Finance Corporation accepted the plan of composition therein referred to several years ago, and that under the terms of California Statutes of 1937, Chapter 4, Section 19, said Reconstruction Finance Corporation and petitioner were bound by said plan of composition prior to the commencement of this proceeding and thereby said corporation is not affected by the plan referred to in this proceeding.

X.

Respondents deny that the outstanding and unpaid obligations [53] of petitioner are of one class, and respondents allege that each bond issue of petitioner or on which petitioner is obligated is of a distinct and separate class, and further allege that each bond and each interest coupon, when presented for payment, is of a distinct and separate class.

XI.

Respondents admit the allegations of paragraph III of said petition, except to the extent that Cali-

fornia Statutes of 1923, page 1067, may be contrary to the allegations of said paragraph.

Separate Defenses

As a further and separate defense these answering respondents allege that the said plan of composition proposed in said petition is inequitable, unjust and unfair to these respondents in that it proposes to force respondents to surrender and deliver up their bonds and interest coupons for a small fraction of the face value thereof, and without any other consideration therefor, while at the same time the petitioner, by the exercise of reasonable diligence, is and will be financially able to pay the obligations so owned by respondents in full and according to their terms.

And as a further and separate and distinct defense to said petition, respondents allege that heretofore and prior to the commencement of this proceeding the petitioner filed its certain petition in bankruptcy, in this Court, under the provisions of Chapter IX of the Bankruptcy Act of the United States, and set up in said petition identically the same plan of composition proposed in this proceeding, and alleged that the same creditors were affected by the plan of composition and in every way and to every legal effect alleged the same facts that are alleged in this proceeding and prayed for the enforcement of identically [54] the same plan of composition. That the force and effect and provisions of Chapter X of the Bankruptcy Act,

under which the present proceeding is brought, are substantially the same as those embodied and contemplated in Chapter IX of the Bankruptcy Act. That on or about Dec. 8, 1936 the judgment of the District Court of the United States for the Southern District of California, in which said former proceeding was brought, was duly rendered, given, made, and entered, against petitioner, dismissing said proceeding. That said judgment became final and by force and effect thereof all of the matters alleged and set forth in the present petition are res adjudicata, and the Court herein is without power or jurisdiction to consider or adjudicate any of said matters in this proceeding.

And as a further and separate defense to said petition, respondents allege that on or about April 20, 1937, the petitioner filed a petition in the Superior Court of the State of California, in and for the County of Riverside, under the provisions of California Statutes of 1937, Chapter 4, for the purpose of enforcing and consummating, in proceedings in the nature of bankruptcy proceedings, identically the same plan of composition alleged and set forth in the present proceeding. That said Superior Court, after submission of the cause, ordered that an interlocutory judgment be entered in favor of said petitioner, Palo Verde Irrigation District, confirming said plan of composition. That subsequent thereto, said petitioner attempted to dismiss said proceeding in said Superior Court, and said Superior Court has or is about to enter an order

dismissing said cause, and from which these answering respondents have appealed or are about to appeal. That said cause and proceeding is pending in said Superior Court and involves identically the same matters and facts alleged in the petition in this proceeding. That under the provisions of [55] said California Statutes of 1937, Chapter 4, and of Section 19 of said chapter, the plan of composition sought to be enforced in that proceeding and in the present proceeding became binding upon and as to to the petitioner, Palo Verde Irrigation District, and the Reconstruction Finance Corporation, and became binding upon said parties prior to the commencement of this proceeding, and said Reconstruction Finance Corporation is not a creditor affected by this proceeding nor by the alleged plan of composition herein.

And as a further and separate answer and defense to said petition, respondents allege that, as shown by the petition herein and by this answer and by the statutes of California and in particular by California Statutes of 1923, page 1067, some of the bonds and interest coupons owned and held by respondents as aforesaid and some of the outstanding obligations of Palo Verde Irrigation District are obligations of the Palo Verde Drainage District and some are obligations of the County of Riverside, California, and some are obligations of the Palo Verde Joint Levee District of Riverside and Imperial Counties, though all of said obligations are also obligations of the petitioner, Palo Verde Ir-

rigation District. That this Court is without power of jurisdiction to consider or allow or approve any plan of composition or proceeding involving or affecting any of the said obligations of the Palo Verde Drainage District, or of the County of Riverside, California, or of the Palo Verde Joint Levee District of Riverside and Imperial Counties.

And as a further and separate defense to said petition and proceeding, respondents allege that Palo Verde Irrigation District is a subdivision and governmental agency of the State of California and neither it nor its obligations are subject or [56] amenable to the bankruptcy power of the Congress of the United States. That the State of California has not consent, nor can it consent, to this proceeding by the Palo Verde Irrigation District, nor to any proceeding by petitioner in bankruptcy or for composition of debts. That any purported consent of the State of California to this proceeding under the terms and provisions of California Statutes of 1934 (Ex. Sess.), Chapter 4, is unconstitutional and void in that said chapter violates the provisions of Article I, Section 16; Article IV, Section 1; Article X, Section 5, and Article XIII, Section 6, of the Constitution of the State of California, and Article I, Section 10 of the Constitution of the United States, and is otherwise unconstitutional and void.

And for a further and separate defense respondents allege that Chapter X of the Bankruptcy Act of the United States is unconstitutional and void in that it violates Article I, Section 10, Clause 1,

and the Fifth and Tenth Amendments, of the Constitution of the United States.

And for a further and separate defense and cause of objection, respondents allege that respondent James H. Jordan on March 12, 1935, obtained a judgment in the Superior Court of Riverside County, California, against the Palo Verde Joint Levee District of Riverside and Imperial Counties, for the sum of \$11,380.00, and in which said cause said respondent on March 17, 1937, obtained judgment against the Palo Verde Irrigation District for \$11,380.00; and the respondent First National Bank of Tustin holds judgment against the Palo Verde Drainage District and the Palo Verde Irrigation District for the sum of \$1440.00; and that all of the said judgments are unsatisfied. That each of the respondents have actions pending against the said various debtors [57] upon the unpaid portions of their claims, and wherein they are severally entitled to judgment except for the restraining order issued herein in this proceeding, and that said judgments and said causes of action are not provided for nor subject to composition herein.

Wherefore, said respondents pray that they be hence dismissed with their costs.

W. COBURN COOK,
Attorney for Respondents.

[58]

State of California
County of Stanislaus—ss.

J. R. Mason, being duly sworn, deposes and says:

That he is one of the respondents named in the foregoing answer and is one of the answering respondents therein; that he has read said answer and knows the contents thereof, and that the same is true of his own knowledge except as to the matters therein stated on information or belief, and as to those matters he believes it to be true.

J. R. MASON.

Subscribed and sworn to before me this 5th day of July, 1938.

[Seal]

GILBERT MOODY.

Notary Public in and for the County of Stanislaus,
State of California. [59]

(Title of District Court and Cause.)

AFFIDAVIT OF SERVICE BY MAIL

State of California
County of Stanislaus—ss.

W. Coburn Cook, being duly sworn, says:

That he is a citizen of the United States, over the age of twenty-one years and not a party to nor interested in the above entitled matter; that on the 5th day of July, 1938, he placed a full, true and correct copy of the annexed Answer and Objections to Petition for Composition of Debts, in an envelope, duly sealed, and deposited the same in the United States Post Office at Turlock, California,

with postage thereon fully prepaid, addressed to Stewart, Shaw & Murphey, Rowan Building, Los Angeles, California; that there is a regular daily communication by mail between Los Angeles and Turlock, California.

W. COBURN COOK.

Subscribed and sworn to before me this 5th day of July, 1938.

[Seal]

GILBERT MOODY.

Notary Public in and for the County of Stanislaus,
State of California.

[Endorsed]: Filed July 6, 1938.

[60]

(Title of District Court and Cause.)

PROOF OF CLAIM

State of California

County of Alameda—ss.

L. F. Abadie, being first duly sworn, says:

That he is a creditor of Palo Verde Irrigation District, the petitioner herein, and that he is the owner and holder of the following described bonds and coupons of said irrigation district, to-wit:

That said L. F. Abadie is the owner of bonds in the principal amount of \$15,000.00, which said bonds bear the numbers hereinafter indicated, and are in the several amounts as indicated and will mature at the date indicated; that each of said bonds bear interest at the rate of 6% per annum, evidenced by

interest coupons payable on January 1st and July 1st of each year; that said L. F. Abadie is the owner and holder of all the coupons attached to said bonds, of which coupons in the amount of \$7650.00 have matured and were presented to the treasurer for payment, as hereinbelow indicated, and bearing interest at the rate of 7% per annum from dates of presentation, and that interest will continue to accumulate both by way of maturing coupons at 6% per annum and by way of interest at 7% per annum on presented bonds and coupons until payment has been made; that there are no counterclaims or offsets to same. That a particular description of said claim is as follows: [61]

BONDS		
<u>Bond No.</u>	<u>Amount</u>	<u>Date Due</u>
125	\$1000.00	July 1, 1948
914	1000.00	July 1, 1946
915	1000.00	" " "
916	1000.00	" " "
917	1000.00	" " "
1342	1000.00	July 1, 1948
1343	1000.00	" " "
1344	1000.00	" " "
1345	1000.00	" " "
1346	1000.00	" " "
1347	1000.00	" " "
1348	1000.00	" " "
1349	1000.00	" " "
1350	1000.00	" " "
1351	1000.00	" " "

Total bonds: \$15,000.00.

COUPONS

No. of Coupons	Am't each Coupon	Date Due	Date Presented		Total
15	\$30.00	July 1, 1930	July	1930	\$450.00
15	30.00	Jan. 1, 1931	Jan.	1931	450.00
15	30.00	July 1, 1931	July	1931	450.00
15	30.00	Jan. 1, 1932	Jan.	1932	450.00
15	30.00	July 1, 1932	July	1932	450.00
15	30.00	Jan. 1, 1933	Jan.	1933	450.00
15	30.00	July 1, 1933	July	1933	450.00
15	30.00	Jan. 1, 1934	Jan.	1934	450.00
15	30.00	July 1, 1934	June 25,	1936	450.00
15	30.00	Jan. 1, 1935	" "	"	450.00
15	30.00	July 1, 1935	" "	"	450.00
15	30.00	Jan. 1, 1936	" "	"	450.00
15	30.00	July 1, 1936	July 21,	1936	450.00
15	30.00	Jan. 1, 1937	Jan. 6,	1937	450.00
15	30.00	July 1, 1937	July 2,	1937	450.00
15	30.00	Jan. 1, 1938	Jan. 3,	1938	450.00
15	30.00	July 1, 1938			450.00

Total Coupons: \$7650.00.

This claim includes interest at 7% per annum on each amount of bond principal and interest which has matured or will hereafter mature, from the respective dates of presentation to the treasurer of the district.

L. F. ABADIE.

Subscribed and sworn to before me this 11th day of July, 1938.

[Seal]

CHAS. T. COX.

Notary Public in and for the County of Alameda,
State of California.

My Commission Expires Sept. 20, 1937.

[Endorsed]: Filed July 13, 1938. [62]

(Title of District Court and Cause.)

PROOF OF CLAIM

State of California

County of Orange—ss.

C. A. Vance, being first duly sworn, says:

That he is an officer, to-wit: President of First National Bank of Tustin, California; that said First National Bank of Tustin, California, is a creditor of Palo Verde Irrigation District, the petitioner herein, and that it is the owner and holder of the following described bonds and coupons of said irrigation district, or on which said irrigation district is obligated for payment, to-wit:

That First National Bank of Tustin, California, is the owner of bonds of Palo Verde Drainage District in the principal amount of \$6000.00, which said bonds bear the numbers hereinafter indicated, and are in the several amounts as indicated and will mature at the date indicated; that each of said bonds bear interest at the rate of 6% per annum, evidenced by interest coupons payable on January 1st and July 1st of each year; that said First National Bank of Tustin, California, is the owner and holder of all the coupons attached to said bonds, of which coupons in the amount of \$2520.00 have matured and were presented to the treasurer for payment, as hereinbelow indicated, and bearing interest at the rate of 7% per annum from dates of presentation, and that interest will continue to accumulate both by way of maturing coupons at 6% per annum

and by way of interest at 7% per annum on presented bonds [63] and coupons until payment has been made; that there are no counterclaims or offsets to same. That a particular description of said claim is as follows:

BONDS

<u>Bond No.</u>	<u>Amount</u>	<u>Date Due</u>
559	\$500.00	Jan. 1, 1937
560	500.00	“ “ “
561	500.00	“ “ “
564	500.00	“ “ “
565	500.00	“ “ “
566	500.00	“ “ “
567	500.00	“ “ “
568	500.00	“ “ “
569	500.00	“ “ “
570	500.00	“ “ “
571	500.00	“ “ “
572	500.00	“ “ “

Total Bonds: \$6000.00.

COUPONS

<u>No. of Coupons</u>	<u>Am't each Coupon</u>	<u>Date Due</u>	<u>Date Presented</u>	<u>Total</u>
12	\$15.00	July 1, 1930		\$180.00
12	15.00	Jan. 1, 1931		180.00
12	15.00	July 1, 1931		180.00
12	15.00	Jan. 1, 1932		180.00
12	15.00	July 1, 1932		180.00
12	15.00	Jan. 1, 1933		180.00
12	15.00	July 1, 1933		180.00
12	15.00	Jan. 1, 1934		180.00
				\$1440.00

That said creditor on March 17, 1937, recovered judgment against the Palo Verde Irrigation District on the foregoing coupons in the sum of \$1440.00

and \$9.25 costs; that said judgment was recovered in the Superior Court of Riverside County, California, in action No. 25588, entitled "First National Bank of Tustin, California, Plaintiff, vs. Palo Verde Irrigation District and Palo Verde Drainage District, Defendants".

No. of Coupons	Am't each Coupon	Date Due	Date Presented	Total
12	\$15.00	July 1, 1934		\$180.00
12	15.00	Jan. 1, 1935		180.00
12	15.00	July 1, 1935		180.00
12	15.00	Jan. 1, 1936		180.00
12	15.00	July 1, 1936		180.00
12	15.00	Jan. 1, 1937		180.00
				\$1080.00

Total Coupons: \$2520.00.

[64]

This claim includes interest at 7% per annum on each amount of bond principal and interest which has matured or will hereafter mature, from the respective dates of presentation to the treasurer of the district.

C. A. VANCE.

Subscribed and sworn to before me this 11th day of July, 1938.

[Seal]

KATHRYN BUXTON,

Notary Public in and for the County of Orange,
State of California.

[Endorsed]: Filed July 14, 1938. [65]

(Title of District Court and Cause.)

PROOF OF CLAIM

State of California

County of Stanislaus—ss.

J. R. Mason, being first duly sworn, says:

That he is a creditor of Palo Verde Irrigation District, the petitioner herein, and that he is the owner and holder of the following described bonds and coupons of said irrigation district, or on which said irrigation district is obligated for payment, to-wit:

That said J. R. Mason is the owner of bonds in the principal amount of \$27,000.00, \$13,000.00 of which are Palo Verde Irrigation District bonds and \$14,000.00 are Palo Verde Joint Levee District of Riverside and Imperial Counties, California, bonds, which said bonds bear the numbers hereinafter indicated, and are in the several amounts as indicated and will mature at the date indicated; that each of said bonds of Palo Verde Irrigation District bear interest at the rate of 6% per annum, evidenced by interest coupons payable on January 1st and July 1st of each year, and that each of said bonds of the Palo Verde Joint Levee District of Riverside and Imperial Counties, California, bear interest at the rate of 6½% per annum, evidenced by interest coupons payable on May 1st and November 1st of each year; that said J. R. Mason is the owner and holder of all of the coupons attached to all of said bonds, of which coupons in the amount of \$12,480.00 have

matured [66] and were presented to the treasurer for payment, as hereinbelow indicated, and bearing interest at the rate of 7% per annum from dates of presentation, and that interest will continue to accumulate both by way of maturing coupons at 6% per annum on the Palo Verde Irrigation District bonds and at 6½% per annum on the Palo Verde Joint Levee District of Riverside and Imperial Counties, California, bonds, and by way of interest at 7% per annum on presented bonds and coupons until payment has been made; that there are no counter-claims or off-sets to same. That a particular description of said claim is as follows:

Bonds of Palo Verde Irrigation District

<u>Bond No.</u>	<u>Amount</u>	<u>Date Due</u>
18	\$1000.00	July 1, 1938
19	1000.00	July 1, 1938
154	1000.00	July 1, 1942
155	1000.00	July 1, 1942
156	1000.00	July 1, 1942
720	1000.00	July 1, 1945
721	1000.00	July 1, 1945
722	1000.00	July 1, 1945
2012	1000.00	July 1, 1951
2013	1000.00	July 1, 1951
2014	1000.00	July 1, 1951
2015	1000.00	July 1, 1951
2016	1000.00	July 1, 1951

Total Bonds: \$13,000.00.

Coupons on Palo Verde Irrigation District Bonds

No. of Coupons	Am't each Coupon	Date Due	Date Presented	Total
13	\$30.00	July 1, 1930		390.00
13	30.00	Jan. 1, 1931		390.00
13	30.00	July 1, 1931		390.00
13	30.00	Jan. 1, 1932		390.00
13	30.00	July 1, 1932		390.00
13	30.00	Jan. 1, 1933		390.00
13	30.00	July 1, 1933		390.00
13	30.00	Jan. 1, 1934		390.00
13	30.00	July 1, 1934		390.00
13	30.00	Jan. 1, 1935		390.00
13	30.00	July 1, 1935		390.00
13	30.00	Jan. 1, 1936		390.00
13	30.00	July 1, 1936		390.00
13	30.00	Jan. 1, 1937		390.00
13	30.00	July 1, 1937		390.00
13	30.00	Jan. 1, 1938		390.00
13	30.00	July 1, 1938		390.00

Total Coupons: \$6630.00.

[67]

Bonds of Palo Verde Joint Levee District of Riverside
and Imperial Counties, California

Bond No.	Issue	Amount	Date Due
391	1st	\$1000.00	May 1, 1931
392	"	1000.00	" " "
403	"	1000.00	" " "
176	2nd	1000.00	Nov. 1, 1942
1107	1st	1000.00	May 1, 1953
1139	"	1000.00	" " , 1954
1140	"	1000.00	" " "
1172	"	1000.00	" " , 1955
1173	"	1000.00	" " , "
1205	"	1000.00	" " , 1956
1206	"	1000.00	" " , "
1235	"	1000.00	" " , 1957
1236	"	1000.00	" " , "
1237	"	1000.00	" " , "

Total Bonds: \$14,000.00.

Coupons on Palo Verde Joint Levee District of Riverside
and Imperial Counties, California, Bonds.

No. of Coupons	Am't each Coupon	Date Due	Date Presented	Total
3	\$32.50	May 1, 1931		97.50
11	32.50	May 1, 1930		357.50
11	32.50	Nov. 1, 1930		357.50
11	32.50	May 1, 1931		357.50
11	32.50	Nov. 1, 1931		357.50
11	32.50	May 1, 1932		357.50
11	32.50	Nov. 1, 1932		357.50
11	32.50	May 1, 1933		357.50
11	32.50	Nov. 1, 1933		357.50
11	32.50	May 1, 1934		357.50
11	32.50	Nov. 1, 1934		357.50
11	32.50	May 1, 1935		357.50
11	32.50	Nov. 1, 1935		357.50
11	32.50	May 1, 1936		357.50
11	32.50	Nov. 1, 1936		357.50
11	32.50	May 1, 1937		357.50
11	32.50	Nov. 1, 1937		357.50
11	32.50	May 1, 1938		357.50

Total Coupons: \$6175.00.

This claim includes interest at 7% per annum on each amount of bond principal and interest which has matured or will hereafter mature, from the respective dates of presentation to the treasurer of the district.

J. R. MASON.

Subscribed and sworn to before me this 15th day of July, 1938.

[Seal]

GILBERT MOODY.

Notary Public in and for the County of Stanislaus,
State of California.

[Endorsed]: Filed July 16, 1938.

(Title of District Court and Cause.)

PROOF OF CLAIM

State of California

County of Riverside—ss.

James H. Jordan, being first duly sworn, says:

That he is a creditor of Palo Verde Irrigation District, the petitioner herein, and that he is the owner and holder of the following described bonds and coupons of said irrigation district, or on which said irrigation district is obligated for payment, to-wit:

That James H. Jordan is the owner of bonds in the principal amount of \$21,000.00, \$18,000.00 of which are Palo Verde Joint Levee District of Riverside and Imperial Counties, California, bonds, and \$3,000.00 are Palo Verde Drainage District bonds, which said bonds bear the numbers hereinafter indicated, and are in the several amounts as indicated and will mature at the date indicated; that each of said bonds of Palo Verde Joint Levee District of Riverside and Imperial Counties, California, bear interest at the rate of 6½% per annum, evidenced by interest coupons payable on May 1st and November 1st of each year, and that each of said bonds of the Palo Verde Drainage District bear interest at the rate of 6% per annum, evidenced by interest coupons payable on January 1st and July 1st of each year; that said James H. Jordan is the owner and holder of all of the coupons attached to all of said bonds, of which coupons in the amount

of \$7,737.50 have matured and were presented to the treasurer for payment, as hereinbelow [69] indicated, and bearing interest at the rate of 7% per annum from dates of presentation, and that interest will continue to accumulate both by way of maturing coupons at 6½% per annum on the bonds of the Palo Verde Joint Levee District of Riverside and Imperial Counties, California, and at 6% per annum on the bonds of the Palo Verde Drainage District, and by way of interest at 7% per annum on presented bonds and coupons until payment has been made; that there are no counter-claims or offsets to same. That a particular description of said claim is as follows:

Bonds of Palo Verde Joint Levee District of Riverside and Imperial Counties, California

<u>Bond No.</u>	<u>Amount</u>	<u>Date Due</u>
451	\$1000.00	May 1, 1933
452	"	" " "
481	"	May 1, 1934
482	"	" " "
483	"	" " "
484	"	" " "
485	"	" " "
494	"	" " "
518	"	May 1, 1935
1133	"	May 1, 1954
1171	"	May 1, 1955
106	"	Nov. 1, 1934
117	"	Nov. 1, 1935
118	"	" " "
119	"	" " "
120	"	" " "
139	"	Nov. 1, 1938
140	"	" " "

Coupons on Bonds of Palo Verde Joint Levee District
of Riverside and Imperial Counties, California.

Bond No.	No. of Coupons	Am't ea. Coupon	Date Due	Date Presented	Total
451-452	2	\$32.50	May 1, 1931		\$ 65.00
	2	32.50	Nov. 1, 1931		65.00
	2	32.50	May 1, 1932		65.00
	2	32.50	Nov. 1, 1932		65.00
	2	32.50	May 1, 1933		65.00
481	1	32.50	May 1, 1931		32.50
	1	32.50	Nov. 1, 1931		32.50
	1	32.50	May 1, 1932		32.50
	1	32.50	Nov. 1, 1932		32.50
	1	32.50	May 1, 1933		32.50
	1	32.50	Nov. 1, 1933		32.50
	1	32.50	May 1, 1934		32.50
482-483-	5	32.50	Nov. 1, 1931		162.50
484-485-	5	32.50	May 1, 1932		162.50
494	5	32.50	Nov. 1, 1932		162.50
	5	32.50	May 1, 1933		162.50
	5	32.50	Nov. 1, 1933		162.50
	5	32.50	May 1, 1934		162.50
[70]					
518	1	\$32.50	Nov. 1, 1931		\$ 32.50
	1	32.50	May 1, 1932		32.50
	1	32.50	Nov. 1, 1932		32.50
	1	32.50	May 1, 1933		32.50
	1	32.50	Nov. 1, 1933		32.50
	1	32.50	May 1, 1934		32.50
	1	32.50	Nov. 1, 1934		32.50
	1	32.50	May 1, 1935		32.50
1133	1	32.50	May 1, 1930		32.50
	1	32.50	Nov. 1, 1930		32.50
	1	32.50	May 1, 1931		32.50
	1	32.50	Nov. 1, 1931		32.50
	1	32.50	May 1, 1932		32.50
	1	32.50	Nov. 1, 1932		32.50
	1	32.50	May 1, 1933		32.50
	1	32.50	Nov. 1, 1933		32.50
	1	32.50	May 1, 1934		32.50

Bond No.	No. of Coupons	Am't ea. Coupon	Date Due	Date Presented	Total
	1	32.50	Nov. 1, 1934		32.50
	1	32.50	May 1, 1935		32.50
	1	32.50	Nov. 1, 1935		32.50
	1	32.50	May 1, 1936		32.50
	1	32.50	Nov. 1, 1936		32.50
	1	32.50	May 1, 1937		32.50
	1	32.50	Nov. 1, 1937		32.50
	1	32.50	May 1, 1938		32.50
1171	1	32.50	May 1, 1931		32.50
	1	32.50	Nov. 1, 1931		32.50
	1	32.50	May 1, 1932		32.50
	1	32.50	Nov. 1, 1932		32.50
	1	32.50	May 1, 1933		32.50
	1	32.50	Nov. 1, 1933		32.50
	1	32.50	May 1, 1934		32.50
	1	32.50	Nov. 1, 1934		32.50
	1	32.50	May 1, 1935		32.50
	1	32.50	Nov. 1, 1935		32.50
	1	32.50	May 1, 1936		32.50
	1	32.50	Nov. 1, 1936		32.50
	1	32.50	May 1, 1937		32.50
	1	32.50	Nov. 1, 1937		32.50
	1	32.50	May 1, 1938		32.50
106	1	32.50	May 1, 1932		32.50
	1	32.50	Nov. 1, 1932		32.50
	1	32.50	May 1, 1933		32.50
	1	32.50	Nov. 1, 1933		32.50
	1	32.50	May 1, 1934		32.50
	1	32.50	Nov. 1, 1934		32.50
117-118-	4	32.50	Nov. 1, 1931		130.00
119-120	4	32.50	May 1, 1932		130.00
	4	32.50	Nov. 1, 1932		130.00
	4	32.50	May 1, 1933		130.00
	4	32.50	Nov. 1, 1933		130.00
	4	32.50	May 1, 1934		130.00
	4	32.50	Nov. 1, 1934		130.00
	4	32.50	May 1, 1935		130.00
	4	32.50	Nov. 1, 1935		130.00

Bond No.	No. of Coupons	Am't ea. Coupon	Date Due	Date Presented	Total
139-140	2	\$32.50	May 1, 1931		\$ 65.00
	2	32.50	Nov. 1, 1931		65.00
	2	32.50	May 1, 1932		65.00
	2	32.50	Nov. 1, 1932		65.00
	2	32.50	May 1, 1933		65.00
	2	32.50	Nov. 1, 1933		65.00
	2	32.50	May 1, 1934		65.00
	2	32.50	Nov. 1, 1934		65.00
	2	32.50	May 1, 1935		65.00
	2	32.50	Nov. 1, 1935		65.00
	2	32.50	May 1, 1936		65.00
	2	32.50	Nov. 1, 1936		65.00
	2	32.50	May 1, 1937		65.00
	2	32.50	Nov. 1, 1937		65.00
	2	32.50	May 1, 1938		65.00
148-149-	4	32.50	May 1, 1930		130.00
150-151	4	32.50	Nov. 1, 1930		130.00
	4	32.50	May 1, 1931		130.00
	4	32.50	Nov. 1, 1931		130.00
	4	32.50	May 1, 1932		130.00
	4	32.50	Nov. 1, 1932		130.00
	4	32.50	May 1, 1933		130.00
	4	32.50	Nov. 1, 1933		130.00
	4	32.50	May , 1, 1934		130.00
	4	32.50	Nov. 1, 1934		130.00
	4	32.50	May 1, 1935		130.00
519	1	32.50	May 1, 1932		32.50

Total \$6597.50.

That said creditor on March 17, 1937, recovered judgment against the Palo Verde Irrigation District in the amount of \$11,380.00, representing bonds and interest coupons of said Palo Verde Joint Levee District of Riverside and Imperial Counties, California, included among those hereinabove alleged and as follows:

Bond No.	Amount	Interest Coupons—Due Dates	Amount
451	\$1000.00	5/1/31—5/1/33	162.50
452	1000.00	5/1/31—5/1/33	162.50
481	1000.00	5/1/31—5/1/34	227.50
482	1000.00	11/1/31—5/1/34	195.00
483	1000.00	11/1/31—5/1/34	195.00
484	1000.00	11/1/31—5/1/34	195.00
485	1000.00	11/1/31—5/1/34	195.00
494	1000.00	11/1/31—5/1/34	195.00
		Additional Int. Coupons Due Dates	
From Bond No.			
518		11/1/31—5/1/34	195.00
1133		11/1/30—5/1/34	260.00
106		5/1/32—5/1/34	162.50
117		11/1/31—5/1/34	195.00
118		11/1/31—5/1/34	195.00
119		11/1/31—5/1/34	195.00
120		11/1/31—5/1/34	195.00
139		5/1/31—5/1/34	227.50
140		5/1/31—5/1/34	227.50
	\$8000.00		\$3380.00

Total \$11,380.00.

[72]

That said judgment was recovered in the Superior Court of Riverside County, California, in Action No. 25560, entitled "James H. Jordan, Plaintiff, v. Palo Verde Irrigation District and Palo Verde Joint Levee District of Riverside and Imperial Counties, California, Defendants"; that said cause is pending on appeal in the Fourth Circuit Court of Appeals of the State of California.

Bonds of Palo Verde Drainage District

Bond No.	Amount	Date Due
419	\$500.00	Jan. 1, 1936
420	500.00	“ “ “
421	500.00	“ “ “
422	500.00	“ “ “
557	500.00	Jan. 1, 1937
558	500.00	“ “ “

Total Bonds: \$3,000.00.

Coupons on Bonds of Palo Verde Drainage District

Bond No.	No. of Coupons	Am't ea. Coupon	Date Due	Date Presented	Total
419-420-	4	\$15.00	July 1, 1930		\$60.00
421-422	4	15.00	Jan. 1, 1931		60.00
	4	15.00	July 1, 1931		60.00
	4	15.00	Jan. 1, 1932		60.00
	4	15.00	July 1, 1932		60.00
	4	15.00	Jan. 1, 1933		60.00
	4	15.00	July 1, 1933		60.00
	4	15.00	Jan. 1, 1934		60.00
	4	15.00	July 1, 1934		60.00
	4	15.00	Jan. 1, 1935		60.00
	4	15.00	July 1, 1935		60.00
	4	15.00	Jan. 1, 1936		60.00
557-558	2	15.00	July 1, 1930		30.00
	2	15.00	Jan. 1, 1931		30.00
	2	15.00	July 1, 1931		30.00
	2	15.00	Jan. 1, 1932		30.00
	2	15.00	July 1, 1932		30.00
	2	15.00	Jan. 1, 1933		30.00
	2	15.00	July 1, 1933		30.00
	2	15.00	Jan. 1, 1934		30.00
	2	15.00	July 1, 1934		30.00
	2	15.00	Jan. 1, 1935		30.00
	2	15.00	July 1, 1935		30.00
	2	15.00	Jan. 1, 1936		30.00
	2	15.00	July 1, 1936		30.00
	2	15.00	Jan. 1, 1937		30.00

Total Coupons: \$1140.00.

This claim includes interest at 7% per annum on each amount [73] of bond principal and interest which has matured or will hereafter mature, from the respective dates of presentation to the treasurer of the district.

JAMES H. JORDAN.

Subscribed and sworn to before me this 12th day of July, 1938.

[Seal]

LOLA M. SLABOUGH.

Notary Public in and for the County of Riverside,
State of California.

[Endorsed]: Filed July 16, 1938.

[74]

(Title of District Court and Cause.)

PROOF OF CLAIM

State of California

County of Los Angeles—ss.

George F. Covell, being first duly sworn, says:

That he is a creditor of Palo Verde Irrigation District, the petitioner herein, and that he is the owner and holder of the following described bonds and coupons of said irrigation district, to-wit:

That said George F. Covell is the owner of bonds in the principal amount of \$10,000.00, which said bonds bear the numbers hereinafter indicated, and are in the several amounts as indicated and will

mature at the date indicated; that each of said bonds bear interest at the rate of 6% per annum, evidenced by interest coupons payable on January 1st and July 1st of each year; that said George F. Covell is the owner and holder of all the coupons attached to said bonds, of which coupons in the amount of \$5100.00 have matured and were presented to the treasurer for payment, as hereinbelow indicated, and bearing interest at the rate of 7% per annum from dates of presentation, and that interest will continue to accumulate both by way of maturing coupons at 6% per annum and by way of interest at 7% per annum on presented bonds and coupons until payment has been made; that there are no counter-claims or off-sets to same. That a particular description of said claim is as follows:

[75]

BONDS

<u>Bond No.</u>	<u>Amount</u>	<u>Date Due</u>
2296	\$1000.00	July 1, 1952
2297	1000.00	“ “ “
2298	1000.00	“ “ “
2299	1000.00	“ “ “
2300	1000.00	“ “ “
2301	1000.00	“ “ “
2302	1000.00	“ “ “
2303	1000.00	“ “ “
2304	1000.00	“ “ “
2305	1000.00	“ “ “

Total Bonds: \$10,000.00

COUPONS

No. of Coupons	Am't each Coupon	Date Due	Date Presented	Total
10	\$30.00	July 1, 1930		\$300.00
10	30.00	Jan. 1, 1931		300.00
10	30.00	July 1, 1931		300.00
10	30.00	Jan. 1, 1932		300.00
10	30.00	July 1, 1932		300.00
10	30.00	Jan. 1, 1933		300.00
10	30.00	July 1, 1933		300.00
10	30.00	Jan. 1, 1934		300.00
10	30.00	July 1, 1934		300.00
10	30.00	Jan. 1, 1935		300.00
10	30.00	July 1, 1935		300.00
10	30.00	Jan. 1, 1936		300.00
10	30.00	July 1, 1936		300.00
10	30.00	Jan. 1, 1937		300.00
10	30.00	July 1, 1937		300.00
10	30.00	Jan. 1, 1938		300.00
10	30.00	July 1, 1938		300.00

Total Coupons: \$5100.00.

This claim includes interest at 7% per annum on each amount of bond principal and interest which has matured or will hereafter mature, from the respective dates of presentation to the treasurer of the district.

GEORGE F. COVELL.

Subscribed and sworn to before me this 18th day of July, 1938.

[Seal]

R. S. ZIMMERMAN,

Clerk, U. S. District Court, Southern District of California.

[Endorsed]: Filed July 18, 1938.

At a stated term, to-wit: The February Term, A. D. 1938, of the District Court of the United States of America, within and for the Central Division of the Southern District of California, held at the Court Room thereof, in the City of Los Angeles, Calif. on Monday the 18th day of July in the year of our Lord one thousand nine hundred and thirty-eight.

Present:

The Honorable Geo. Cosgrave, District Judge.

(Title of Cause.)

This matter coming on for hearing on order, filed May 13, 1938, approving Petition re verified Petition of Palo Verde Irrigation District for composition of debts, etc.; A. B. Shaw, Jr., Esq., appearing for the petitioner, makes a statement; W. Curn Cook, Esq., appearing for the respondents James H. Jordan, et al., makes a statement; (H. A. Dewing being present as court reporter and reporting the proceedings); whereupon, the following exhibits are offered and admitted in evidence:

Petitioner's Exhibit 1.

Three (3) bundles marked Petitioner's Ex. 11, 12, and 13, respectively, in a Superior Court; Map; reporter's transcript of testimony before H. G. Ames, Superior Judge, and large envelope containing exhibits in Case No. 29,147 in Superior Court, County of Riverside.

Petitioner's Exhibit 2.

Acceptance of Plan of Composition, 3 pages.

Respondent's Exhibit A.

Acceptance of Plan of Readjustment of indebtedness of Palo Verde Irrigation District of Blythe, Calif.

Respondent's Exhibit B.

Copy of Petition for readjustment of debts in case No. 29,147, in Superior Court, County of Riverside.

Attorney Childers of El Centro appearing with Attorney Cook, argues in opposition, whereupon,

It is ordered that the matter be submitted on points and authorities to be presented simultaneously in five (5) days. [77]

(Title of District Court and Cause.)

MEMORANDUM OF ORDER

Cosgrave, District Judge.

The objections heretofore filed by James H. Jordan, J. R. Mason, L. F. Abadie, George F. Covell, and First National Bank of Tustin to the hearing of the petition for composition of debts of Palo Verde Irrigation District are overruled.

An exception is noted in favor of the said parties objecting against this ruling.

The said matter having been submitted to the Court for decision upon the record adduced on July

18, 1938 and such record having been by the Court duly considered, the issues herein are resolved in favor of the Palo Verde Irrigation District, petitioner aforesaid.

Petitioner will propose an order in accordance herewith, wherein exception is reserved in favor of the objecting creditors.

August 4, 1938. [78]

(Title of District Court and Cause.)

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The above entitled matter coming on regularly for hearing on the 18th day of July, 1938, before the above entitled Court, Honorable George Cosgrave, District Judge, presiding, upon the merits of the plan of composition of debts, proposed by petitioner, Palo Verde Irrigation District, and upon the petition filed by said petitioner, and the answer and objections of respondents James H. Jordan, First National Bank of Tustin, California, a corporation, J. R. Mason, George F. Covell and L. F. Abadie, and said petitioner having appeared by Arvin B. Shaw, Jr., of Stewart, Shaw & Murphey, its attorneys, and said respondents having appeared by W. Coburn Cook, their attorney, and said respondents having made certain objections to the jurisdiction of the Court and objections to the introduction of any evidence under the petition, which said objections were overruled, with exceptions allowed to respondents, and

it appearing from the records and files of this Court that notice of this hearing has been regularly given, in accordance with Chapter X of the National Bankruptcy Act, and that this Court has jurisdiction to hear said petition on the merits, and said hearing having been ordered to proceed before said Court, and evidence having been offered and introduced on said 18th day of July, 1938, on behalf of the parties appearing and said matter having been submitted on memoranda of authorities to be submitted by the parties, and such memoranda having been filed on behalf of said parties, the Court being fully [79] advised in the premises, therefore makes and files its Findings of Fact and Conclusions of Law in the said matter, to-wit:

Findings of Fact.

The Court finds:

I.

That petitioner is an irrigation district within the meaning of Section 81 of the National Bankruptcy Act, duly organized on October 27, 1923, and now existing under and by virtue of the provisions of that certain Act of the Legislature of the State of California known as the "Palo Verde Irrigation District Act", (Stats. Cal. 1923, p. 1067) approved June 21, 1923, as amended.

II.

That the lands within the boundaries of petitioner aggregate 95,000 acres and are situate in the Coun-

ties of Riverside and Imperial, California and within said Southern District of California and within the territorial jurisdiction of this Court. That the greater portion of said lands is situate in said County of Riverside. That the office of petitioner is situate in the City of Blythe, in said County of Riverside.

III.

That said petitioner was organized for the purpose of taking over and merging in one organization the properties and functions of three separate entities theretofore existing in the territory known as the Palo Verde Valley, which territory is now embraced within the boundaries of petitioner. That said three entities consisted of Palo Verde Mutual Water Company, a private corporation owning and operating an irrigation system in said Valley, Palo Verde Joint Levee District of Riverside and Imperial Counties, California, a levee district owning and operating a levee system in said Valley, and Palo Verde Drainage District, a drainage district owning and operating a drainage system in said Valley. [80]

IV.

That said Mutual Water Company was duly organized under the laws of the State of California on March 9, 1908, for the principal purpose of constructing, operating and maintaining an irrigation system in said Valley, and did construct, operate and maintain such system until the transfer of said system to petitioner, as hereinafter found. That

on or about February 1, 1916, said Mutual Water Company executed a certain deed of trust, dated on said day, wherein and whereby it conveyed said irrigation system to Los Angeles Trust & Savings Bank, a banking corporation, in trust as security for the payment of coupon bonds of said Mutual Water Company dated on said day, in the aggregate principal amount of \$500,000.00, payable serially on February 1 of each year from 1921 to 1936, inclusive, with interest at the rate of six (6%) per cent per annum payable February 1 and August 1 of each year. That said deed of trust was duly recorded in the office of the County Recorder of said County of Riverside in Book 443 of Deeds at Page 1, et seq. That thereafter said Mutual Water Company sold and issued all of said bonds. That there now remain unpaid bonds of said issue in the principal amount of \$170,000.00, together with interest coupons thereon maturing August 1, 1932, and thereafter. That by reason of various consolidations of banks, Security-First National Bank of Los Angeles, a national banking association, has succeeded to the office of trustee under said deed of trust.

V.

That, pursuant to the provisions of Section 11 of said Palo Verde Irrigation District Act, said Mutual Water Company transferred its said irrigation system to petitioner by deed dated December 1, 1925, and in and by said deed petitioner assumed and agreed to pay when due the principal and interest on

each and all of the bonds secured by said deed of trust then remaining unpaid. That said deed was duly recorded in the office of the County Recorder of said County of Riverside in Book 662 at Page 152 of Official Records of said County.

VI.

That said Levee District was duly organized on July 17, 1914, under and by virtue of the provisions of that certain Act of the Legislature of the State of California entitled "An act to provide for the formation of levee districts in the various counties of this state, and to provide for the erection of levees, dikes and other works for the purpose of protecting the lands within such districts from overflow and to levy assessments to erect and construct and maintain such levees, dikes and other works and to pay the necessary costs and expenses of maintaining said districts", (Stats. Cal. 1905, p. 327) approved March 20, 1905, as amended. That said Levee District constructed, operated and maintained a levee system in said Palo Verde Valley until the organization of Petitioner. That on or about May 1, 1918, said Levee District authorized, pursuant to the provisions of that certain Act of the Legislature of the State of California entitled "An act authorizing levee districts of the State to incur a bonded indebtedness for the purpose of building, constructing, or repairing levees of the district; or for excavating and constructing ditches or canals of such districts, or for the purpose of acquiring rights of way for

any such levees, ditches, or canals; or for any and all of said purposes", (Stats. Cal. 1911, p. 303) approved March 8, 1911, as amended, an issue of coupon bonds of said District designated "First Issue", dated May 1, 1918, in the aggregate principal amount of \$1,253,951.86, payable serially on May 1 of each year from 1919 to 1958, inclusive, with interest at the rate of 6½% per annum payable May 1 and November 1 of each year thereafter. That thereafter said Levee District sold and issued all of said bonds. That there now remain unpaid bonds of said First Issue in the principal amount of \$911,951.86, together with substantially all interest coupons thereon maturing May 1, 1930, and thereafter.

VII.

That on or about November 1, 1922, said Levee District authorized pursuant to the provisions of said Act approved March 8, 1911, an issue of coupon bonds of said district, designated "Second Issue", dated November 1, 1922, in the aggregate principal amount of \$371,378.50, payable serially on November 1 of each year from 1923 to 1962, inclusive, with interest at the rate of 6½% per annum payable May 1 and November 1 of each year. That said Levee District thereafter sold and issued all of said bonds. That there now remain unpaid bonds of said Second Issue in the principal amount of \$304,378.50, together with substantially all interest coupons thereon maturing May 1, 1930, and thereafter.

VIII.

That by virtue of the provisions of Section 12 of said Palo Verde Irrigation District Act said Levee District was, upon the organization of Petitioner, merged in and superseded by Petitioner and ceased to exist except in so far as may be necessary to preserve the rights of bondholders and other creditors, and Petitioner assumed all of the outstanding indebtedness of said Levee District, including the principal and interest on said bonds of said First and Second Issues.

IX.

That said Drainage District was duly organized on August 16, 1921, under and by virtue of the provisions of that certain Act of the Legislature of the State of California entitled "An act to provide for the organization and government of drainage districts, for the drainage of agricultural lands other than swamp and overflowed lands, and to provide for the acquisition or construction thereby of works for the drainage of the lands embraced within such districts" (Stats. Cal. 1903, p. 291) approved March 20, 1903, as amended. That said Drainage District constructed, operated and maintained a drainage system in said Palo Verde Valley until the organization of Petitioner. That on or about December 1, 1921, said Drainage District authorized, pursuant to said Act approved March 20, 1903, an issue of coupon bonds, dated December 1, 1921, in the aggregate principal amount of \$850,000.00, payable seri-

ally on January 1 of each year from 1933 to 1942, inclusive, with interest at the rate of 6% per annum payable January 1 and July 1 of each year. That thereafter said Drainage District sold and issued bonds of said issue of the aggregate principal amount of \$250,000.00 and said Petitioner, after its organization, sold and issued bonds of said issue of the aggregate principal amount of \$600,000.00. That all bonds of said issue are now unpaid, together with substantially all interest coupons thereon maturing July 1, 1930, and thereafter.

X.

That by virtue of the provisions of Section 13 of said Palo Verde Irrigation District Act said Drainage District was, upon the organization of Petitioner, merged in and superseded by Petitioner and ceased to exist except in so far as may be necessary to preserve the rights of bondholders and other creditors, and Petitioner assumed all of the outstanding indebtedness of said Drainage District, including the principal and interest on all said bonds authorized by said Drainage District.

XI.

That on or about September 1, 1925, pursuant to the provisions of said Palo Verde Irrigation District Act, Petitioner authorized an issue of coupon bonds designated "First Issue", dated on said day, in the aggregate principal amount of \$3,287,000.00, payable serially on July 1 of each year from 1937 to 1955,

inclusive, with interest at the rate of 6% per annum payable January 1 and July 1 of each year. That thereafter Petitioner sold and issued bonds of said First Issue in the aggregate principal amount of \$1,725,000.00, all of which said bonds, together with substantially all interest coupons thereon maturing July 1, 1930, and thereafter, are now unpaid. That [84] on June 15, 1934, pursuant to the provisions of Section 23 of said Palo Verde Irrigation District Act, as amended, the unsold bonds of said First Issue, aggregating in principal amount \$1,562,000.00, were destroyed.

XII.

That on or about September 1, 1925, pursuant to the provisions of said Palo Verde Irrigation District Act, Petitioner authorized an issue of coupon bonds designated "Second Issue", dated on said day, in the aggregate principal amount of \$213,000.00, payable serially on July 1 of each year from 1937 to 1955, inclusive, with interest at the rate of 6% per annum payable January 1 and July 1 of each year. That thereafter Petitioner sold and issued all of said bonds of said Second Issue, all of which said bonds, together with substantially all interest coupons thereon maturing July 1, 1930, and thereafter, are now unpaid.

XIII.

That on or about February 1, 1930, Petitioner, for value received, executed its promissory note, dated on said day, payable to the order of D. A. Foley and Co. and thereafter assigned to Bank of

America, for the principal sum of \$4,000.00, payable January 2, 1932, with interest thereon at the rate of 7% per annum. That said note, together with interest thereon from date thereof, is unpaid.

XIV.

That Petitioner is unable to meet its obligations above mentioned as they mature and that it desires to effect a plan for the composition of its debts under the provisions of Sections 81, 82 and 83 of that certain Act of the Congress of the United States of America, entitled "An Act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, as amended. That on account of adverse agricultural conditions in said Palo Verde Valley and the general depression which has prevailed during the greater part of the [85] past twelve years, the market value of farm products within said Valley has generally been less than the cost of production; that farming operations therein have been unprofitable; that Petitioner in good faith levied taxes to pay its bonded indebtedness and operating expenses from the year 1927 to the year 1932, inclusive, but that said taxes were greater than the ability of the land to produce, or of the farmers to pay and Petitioner was, is and will continue to be unable to collect sufficient revenues to pay said obligations, or a greater amount of revenues than will carry out the plan of composition hereafter mentioned.

XV.

That a plan of composition of the debts of Petitioner hereinabove described was prepared and filed and submitted with its petition. That a true copy of said plan is hereto attached, marked "Exhibit A", and by this reference is made a part hereof.

That (1) the procedure to be followed, respectively, in the levy and collection of taxes, special assessment taxes or special assessments for the payment of the refunding bonds referred to in said plan (2) the character and effect of, and method of enforcing the liens sought to be created by the issuance of such refunding bonds and (3) the rights of the holders of such refunding bonds upon the issuance thereof, are in all respects such as are prescribed by the Palo Verde Irrigation District Act and acts amendatory thereof and supplementary thereto.

XVI.

That the unpaid coupon bonds hereinabove mentioned and said promissory note evidence the only indebtedness to be affected by said plan of composition and the holders of said bonds and note are the only creditors of Petitioner affected by said plan, within the meaning of said Chapter X. That none of said indebtedness is owned, held, or controlled by Petitioner. [86]

XVII.

That Reconstruction Finance Corporation, an agency of the United States of America, at the time

of the filing of said petition, owned and held and now owns and holds not less than fifty-one (51) per centum in amount, viz., more than ninety-six (96) per centum in amount of all indebtedness affected by said plan, and owned and held and now owns and holds said promissory note and more than ninety-five (95) per centum in amount of each of the issues of bonds above mentioned. That a true and correct list of said securities owned and held by said Corporation, as aforesaid, was attached to said petition, marked "Exhibit B", and by this reference made a part hereof.

That subsequent to the filing of said petition, said Reconstruction Finance Corporation, as authorized and permitted by order herein filed, purchased and acquired certain of said securities and now owns and holds, in addition to the securities listed in said Exhibit B, attached to said petition, the following:

Palo Verde Mutual Water Company, Bond No. 973, amount \$100.00.

Palo Verde Irrigation District, First Issue, Bonds Nos. 869, 870, 871, 872, 2763, 2843, 2844, 2845, 2846, and 2847, amount \$1000.00 each.

XVIII.

That on May 5 1938, said Reconstruction Finance Corporation, in writing dated on said day, accepted said plan of composition. That said Reconstruction Finance Corporation has authorized a loan to Petitioner in the sum of \$1,039,423.00, to enable it fully to effect said plan.

XIX.

That a list of all known creditors of petitioner affected by said plan, other than Reconstruction Finance Corporation, with their addresses, so far as was known to Petitioner at the time of filing said petition, and a description of their respective claims, which [87] list shows only persons who have not accepted said plan, was attached to said petition marked "Exhibit C" and by this reference is made a part hereof.

XX.

That all claims against Petitioner are payable without preference from taxes levied against the lands within Petitioner and are of a single class.

XXI.

That said plan of composition is fair, equitable and for the best interests of Petitioner's creditors who are affected thereby and does not discriminate unfairly in favor of any creditor or class of creditors. That said plan complies with the provisions of Chapter X of said Act of Congress. That said plan has been accepted and approved as required by the provisions of subdivision (d) of Section 83 of said Act of Congress. That all amounts to be paid by the Petitioner for services or expenses incident to the composition have been fully disclosed and are reasonable. That the offer of the plan and its acceptance are in good faith. That the petitioner is authorized by law to take all action necessary to be taken by it to carry out the plan.

XXII.

That on the 10th day of May, 1938, the Board of Trustees of said Petitioner adopted a resolution, proposing said plan of composition, a certified copy of which said resolution was attached to said petition, marked "Exhibit E" and by this reference is made a part hereof. That in and by said resolution said Petitioner authorized the filing of said petition and authorized Messrs. Stewart, Shaw & Murphey, its duly and regularly appointed attorneys to file the same and to represent Petitioner in the proceedings with respect thereto in the competent United States District Court. [88]

XXIII.

That the following designated actions have heretofore been commenced in the Superior Court of the State of California, in and for the County of Riverside, against Petitioner and in some cases against said Levee District or said Drainage District upon bonds or coupons, or both, issued by one or more of said three districts for the purpose of obtaining judgments against Petitioner and said Levee District or said Drainage District and in some cases against others, on account of such bonds or coupons, or both, and the enforcement of lien or the levy of taxes therefor, to-wit:

1. Case No. 25393, entitled "Theo. Bernhard, Plaintiff, v. Palo Verde Irrigation District and Palo Verde Joint Levee District", in which George Herrington is attorney for plaintiff.

2. Case No. 25560, entitled "James H. Jordan, Plaintiff, vs. Palo Verde Irrigation District and Palo Verde Joint Levee District, Defendants", in which W. Coburn Cook, Esq., is attorney for plaintiff.

3. Case No. 25561, entitled "James H. Jordan, plaintiff, vs. Palo Verde Irrigation District and Palo Verde Drainage District, Defendants", in which said Cook is attorney for plaintiff.

4. Case No. 25579, entitled "George F. Covell, Plaintiff, vs. Palo Verde Irrigation District, County of Riverside and County of Imperial, Defendants", in which said Cook is attorney for plaintiff.

5. Case No. 25587, entitled "J. R. Mason, Plaintiff, vs. Palo Verde Irrigation District, Palo Verde Joint Levee District, County of Riverside and County of Imperial, Defendants", in which said Cook is attorney for plaintiff.

6. Case No. 25588, entitled "First National Bank of Tustin, California, Plaintiff, vs. Palo Verde Irrigation District and Palo Verde Drainage District, Defendants", in which said Cook is attorney for Plaintiff.

7. Case No. 25594, entitled "L. F. Abadie, Plaintiff, vs. Palo Verde Irrigation District, Defendants", in which said Cook is attorney [89] for plaintiff.

8. Case No. 26604, entitled "J. R. Mason, Plaintiff, vs. Palo Verde Irrigation District and Palo Verde Joint Levee District of Riverside and Imperial Counties, California, Defendants", in which W. Coburn Cook, Esq. is attorney for plaintiff.

9. Case No. 28684, entitled "James H. Jordan, J. R. Mason, First National Bank of Tustin, California, a corporation, L. F. Abadie and C. F. Veysey, Petitioners vs. Palo Verde Irrigation District et al., Respondents", in which Petitioner's Board of Trustees and officers are respondents and said Cook is attorney for petitioners.

10. Case No. 28881, entitled "First National Bank of Tustin, California, Plaintiff, vs. Palo Verde Irrigation District and Palo Verde Drainage District, Defendants", in which said Cook is attorney for plaintiff.

11. Case No. 28882, entitled "James H. Jordan, Plaintiff, vs. Palo Verde Irrigation District and Palo Verde Drainage District, Defendants", in which said Cook is attorney for plaintiff.

12. Case No. 28883, entitled "James H. Jordan, Plaintiff, vs. Palo Verde Irrigation District and Palo Verde Joint Levee District, Defendants", in which said Cook is attorney for plaintiffs.

XXIV.

That the following designated action has heretofore been commenced in the Superior Court of the State of California, in and for the County of Alameda, for the purpose of obtaining judgment against Petitioner on account of coupons of bonds issued by Petitioner to-wit:

1. Case No. 140604, entitled "N. J. Cornwall, Plaintiff, vs. Palo Verde Irrigation District, Defendant", in which Messrs. Clark, Nichols and Eltse are attorneys for plaintiff.

XXV.

That the following designated action has heretofore been [90] commenced in the Justice's Court of Riverside Township, County of Riverside, State of California, for the purpose of obtaining judgment against Petitioner on account of coupons of bonds issued by Petitioner, to-wit:

1. Case No. 2204, entitled "C. F. Veysey, Plaintiff, vs. Palo Verde Irrigation District, Defendant", in which said Cook is attorney for plaintiff.

XXVI.

That said cases Nos. 25393 and 140604 have been dismissed.

That in said case No. 25560 a default judgment was given and made by said Superior Court in favor of plaintiff therein and against defendant Levee District, and in said case Nos. 25561 and 25588 default judgments were likewise rendered in favor of plaintiff therein and against defendant Palo Verde Drainage District, all on the 11th day of March, 1935.

That in said three actions Nos. 25560, 25561 and 25588 Petitioner, appearing in its own capacity as an irrigation district and also in its capacity as statutory successor to and representative of and on behalf of said Drainage District and said Levee District, appealed from said default judgments to the District Court of Appeal of the State of California, in and for the Fourth Appellate District; that said appeals are pending undetermined before said Court.

That in said actions Nos. 25560 and 25588 judgments were rendered by said Superior Court in favor of plaintiff therein and against Petitioner and said case No. 25561 was ordered transferred to said Justice's Court, all on the 7th day of April, 1937. That Petitioner has appealed from said judgments to said District Court of Appeal and said appeals are pending undetermined before said Court.

That in said action No. 28684, said Superior Court, on December 29, 1936, gave and made its alternative writ of mandate, requiring Petitioner to pay certain of its funds to the petitioners in said action, or show cause why it had not done so. That Petitioner is, by said writ, restrained from free use or disposal of certain of its funds. [91]

XXVII.

That on or about the 20th day of April, 1937, Petitioner filed in the Superior Court of the State of California in and for the County of Riverside, a petition, in case No. 29147, under the provisions of that certain act of the Legislature of California, designated the "Irrigation District Refinancing Act" (Stats. Cal. 1937, Chapter 24) approved March 30, 1937. That in and by said petition a plan of readjustment of debts, generally similar in character to, but not identical with, the plan of composition herein submitted, was presented to said Superior Court. That a hearing was held before said Superior Court on the merits of said plan of re-

adjustment and after submission of said hearing, said Court, on motion of said Petitioner, ordered said submission set aside and said proceeding dismissed without prejudice. That the respondents herein have appealed from said order to the Supreme Court of the State of California.

XXVIII.

That unless restrained by order of this Court, the plaintiffs and their attorneys, in each and all of the actions, other than Case No. 25393, mentioned in Paragraphs numbered XXIII, XXIV and XXV of these findings and the appellants in said Case No. 29147 will take action and proceedings looking to the enforcement of the levy of taxes for the payment of the bonds and coupons involved in said actions and for that reason in certain of said actions the Counties of Riverside and Imperial are joined as parties defendant; that unless the continuation and prosecution of each and all of said actions and of all proceedings in the appeals mentioned in paragraph numbered XXVI of these findings against all defendants therein named and all proceedings against petitioner in said appeal in said Case No. 29147 are enjoined by order of this Court, proceedings in said actions and appeals would interfere with and in part render ineffective the [92] carrying out of the plan of composition herein submitted and the jurisdiction of this Court herein would be interfered with and Petitioner would be irreparably damaged.

XXIX.

That it is not true that 96%, or any, of the obligations of Petitioner alleged in its petition have been paid, either with funds obtained from or furnished by Reconstruction Finance Corporation, or otherwise. That it is not true that by a contract, or contracts, or otherwise, duly or at all made between Petitioner and said Corporation Petitioner is obligated to said Corporation in an amount equal to 24.81% or any percentage of 96% or any percentage of the total obligations alleged in said petition, or in a total sum of \$966,000.00, or any sum less than the whole sum of principal and interest evidenced by the face of said obligations, together with interest thereon at the rate of 4% per annum, payable semi-annually, and no more. That by the only contracts executed between Petitioner and said Corporation, Petitioner is obligated to said Corporation for the full amount of principal and interest evidenced by the note and bonds held by said Corporation, as herein found, according to the tenor of the face of said note and bonds. That said Corporation has neither loaned nor advanced any funds to Petitioner. That neither \$4,000,000.00, nor any amount, of the principal obligations of Petitioner alleged in its petition, nor approximately \$1,500,000.00, nor any amount, in interest coupons attached to any of the bonds representing such obligations, has in fact, or in legal effect, or otherwise, been extinguished.

XXX.

That said plan of composition does not discriminate unfairly in favor of Reconstruction Finance Corporation. [93]

XXXI.

That said plan was not prepared or substantially completed or executed several years, or any time longer than one month, before the commencement of this proceeding. That said plan is a plan of composition pursuant to said Chapter X.

XXXII.

That it is not true that the only persons or parties affected by said plan are certain owners and holders of bonds and interest coupons which Petitioner is obligated to pay, including the respondents, who have not consented nor agreed to said plan. That it is true that all owners and holders of the securities described in the petition herein, including all who have, as well as all who have not, consented to said plan, are creditors affected by said plan.

XXXIII.

That Reconstruction Finance Corporation did not accept said plan several years ago, or at any time prior to May 5, 1938. That said Corporation was not, nor is it, nor was Petitioner, nor is it, bound by said plan prior to the commencement of this proceeding. That said Corporation is affected by said plan.

XXXIV.

That it is not true that each bond issue of Petitioner, or on which Petitioner is obligated, is of a distinct and separate, or distinct or separate class. That it is not true that each bond or each interest coupon, when presented for payment, is of a distinct and separate, or distinct or separate class. That, on the contrary, all of said bond issues, and all of said bonds and said interest coupons, whether presented for payment or not, constitute, within the meaning of said Chapter X, but a single class of obligations.

XXXV.

That it is not true that said plan is inequitable, unjust or unfair to respondents, or any of them. That it is not true that [94] Petitioner, by the exercise of reasonable, or any degree of, diligence, or at all, is or will be financially able to pay the obligations owned by respondents, or any of them, in full and according to their terms, or in full or according to the terms of them, or any of them.

XXXVI.

That on March 29, 1935, Petitioner filed in this Court its petition for readjustment of debts, being case No. 25394-C in bankruptcy, under Chapter IX of said Act of Congress and set up in said petition a plan of readjustment of debts generally similar in character to, but not identical with the plan of composition proposed herein and alleged that approximately, but not exactly, the same creditors

were affected by said plan of readjustment and alleged many, but not all, of the same facts that are alleged in this proceeding, and prayed for the enforcement of a similar, but not identical plan. That said petition filed under said Chapter IX came on regularly for hearing before the undersigned District Judge and evidence was introduced by the parties and said matter was argued and submitted. That thereafter said District Judge rendered his opinion in favor of Petitioner, but before his findings of fact, conclusions of law and interlocutory judgment were signed and filed, the Supreme Court of the United States, in the case of Ashton vs. Cameron County Water Improvement District No. 1, held said Chapter IX unconstitutional. That thereafter, being moved thereto solely by reason of the unconstitutionality of said Chapter IX, said District Judge made and entered a judgment of dismissal of Petitioner's petition. That said judgment of dismissal became final, but by the force and effect, or force or effect thereof none of the matters alleged in the present petition is *res adjudicata*. That this Court has power and jurisdiction to consider and adjudicate each and all of said matters in this proceeding. [95]

XXXVII.

That said Case No. 29147 is not now pending in said Superior Court of the State of California in and for the County of Riverside, but is pending in the Supreme Court of California, upon appeal. That said cause involves many of, but not identic-

ally, the same matters and facts alleged in the petition in this proceeding. That the plan sought to be enforced in said Case No. 29147 has never become binding upon, or as to, Petitioner or Reconstruction Finance Corporation. That said Corporation is a creditor affected by this proceeding and by the plan of composition herein.

XXXVIII.

That none of the obligations of Petitioner referred to in the petition herein are also obligations of the County of Riverside, California. That this Court has power and jurisdiction to consider, allow and approve a plan of composition in this proceeding involving and affecting all of the obligations referred to in said petition.

XXXIX.

That petitioner and its obligations are subject and amenable to the bankruptcy power of the Congress of the United States of America in this proceeding. That the State of California has consented, and can consent, to this proceeding by Petitioner. That such consent is not unconstitutional, nor void.

XL.

That Chapter X of said Act of Congress is not unconstitutional, nor void.

XLI.

That respondent James H. Jordan on March 12, 1935, obtained a judgment in said Case No. 25560,

in the Superior Court of the State of California in and for the County of Riverside against Palo Verde Joint Levee District of Riverside and Imperial Counties, California, for the sum of \$11,380.00 and in the same cause said respondent on [96] March 17, 1937, obtained a judgment against Petitioner for the sum of \$11,380.00; that appeals were taken by the defendants in said cause from said judgments and said appeals are pending undetermined in the District Court of Appeal of the State of California, in and for the Fourth Appellate District; that no final judgment has ever been rendered in said cause against Petitioner or said Levee District. That respondent First National Bank of Tustin, California likewise obtained judgment in Case No. 25588 against Palo Verde Drainage District and Petitioner; that appeals were taken by the defendants in said cause from said judgments and said appeals are pending undetermined in said District Court of Appeal; that no final judgment has ever been rendered in said cause against Petitioner or said Drainage District. That all of the judgments mentioned in this paragraph are unsatisfied. That each of the respondents have actions pending against Petitioner, and in some of the cases herein mentioned, against said Levee District, or said Drainage District, upon the unpaid portions of their claims; that respondents are not severally entitled to judgment in said actions except for the restraining order issued in this proceeding; that said inchoate judgments and alleged causes of action are

provided for and are subject to composition as provided in the plan of composition herein proposed.

XLII.

That notice of the holding of said hearing has been given as required by law and the order of this Court, and the fees required by law have been paid, and said plan of composition as modified is now regularly before the Court for confirmation.

XLIII.

That the market value of each and all of the securities affected by the plan of composition, including all unpaid coupons attached to said bonds, was at no time between December 11, 1930, and January 30, 1934, greater than fourteen per cent of the principal amount thereof, [97] regardless of accrued interest. That from said first mentioned date the market value of such securities steadily declined until such value about the beginning of the year 1933 was approximately two per cent of such principal amount, regardless of accrued interest. That at no time between said first mentioned date and the hearing herein was the market value of any of said securities greater than twenty-one and one-half per cent of the principal amount thereof, regardless of accrued interest. That by reason of said facts, the confirmation of said plan of composition would be and is beneficial to and for the best interests of Petitioner's creditors, and each of them.

XLIV.

That said plan of composition should be approved and confirmed. [98]

CONCLUSIONS OF LAW.

And from the foregoing facts found, the Court concludes as follows:

I.

That this Court has jurisdiction of the subject matter of this proceeding and of all parties to and persons interested in this proceeding, including Petitioner, respondents and all other creditors of Petitioner, of said Levee District and of said Drainage District.

II.

That Petitioner is entitled to have an order entered confirming and approving said plan of composition.

III.

That the claim filed by Reconstruction Finance Corporation, as owner of the promissory note and bonds aggregating in principal amount of \$4,043,-730.36 should be approved and allowed.

IV.

That the owners of and all persons interested in all securities affected by said plan of composition, other than the above mentioned note and bonds owned by Reconstruction Finance Corporation, should be required to deposit their securities with a disbursing agent, or the Clerk, in a reasonable

time and that the time specified in the interlocutory decree made by the Court herein, of even date herewith, is reasonable.

V.

That notice to all creditors of Petitioner, directing them to file and evidence their claims should be given in a reasonable time and manner and that the time and manner of such notice specified in said interlocutory decree of even date herewith are reasonable.

VI.

That during the pendency of these proceedings any holder of securities affected by said plan is entitled to sell to Reconstruction Finance Corporation and the latter entitled to buy from him any of [99] said securities, and said Reconstruction Finance Corporation is entitled to present its supplemental claim herein, as to such securities or as to any securities owned by it for which its claim has not been allowed or approved.

VII.

That Petitioner is entitled to injunctive orders such as are set out in said interlocutory decree.

VIII.

That the costs and expenses of this proceeding accrued to date hereof should be taxed against Petitioner.

Let said interlocutory decree be entered accordingly.

Let an exception be allowed to respondents.

Done in the above entitled Court in Chambers, in the City of Los Angeles, California, in said Southern District of California, this 6th day of October, 1938.

GEO. COSGRAVE,
District Judge.

Received September 19, 1938, 9 a. m. Disapproved as to form under Rule 8 and objections presented herewith September 22, 1938.

W. COBURN COOK,
Attorney for Respondents.

Objections considered and overruled.

GEO. COSGRAVE,
District Judge.

[100]

EXHIBIT "A"

PLAN OF COMPOSITION PALO VERDE IRRIGATION DISTRICT.

Palo Verde Irrigation District, being unable to meet its debts as they mature, desires to effect the following plan of composition:

Said debts consist principally of issued, outstanding and unpaid bonds issued or assumed by said District, to-wit, bonds issued by the following entities and in the amounts hereinafter set opposite the names of such entities, to-wit:

Palo Verde Mutual Water Company, Principal Amount \$170,000.00	
Palo Verde Joint Levee District of Riverside and Imperial Counties, California, first issue,	Principal Amount \$911,951.86
Palo Verde Joint Levee District of Riverside and Imperial Counties, California, second issue,	Principal Amount \$304,378.50
Palo Verde Drainage District,	Principal Amount \$850,000.00
Palo Verde Irrigation District, first issue,	Principal Amount \$1,725,000.00
Palo Verde Irrigation District, second issue,	Principal Amount \$213,000.00
	Total \$4,174,330.36

Together with certain unpaid coupons upon each of said bonds.

Said debts also include promissory note of said District payable to D. A. Foley & Co. in the principal amount of \$4,000.00

This District proposes and offers to deliver to each and all of the owners and holders of any of the above mentioned bonds cash, or at District's option, the bonds of this District of the "Third Issue of Bonds (Refunding)" of principal amount equal to 24.81¢ per dollar of the principal amount of the bonds of the above mentioned company and districts owned and held by the above mentioned owners and holders. Each of said bonds shall be accompanied by all of its appurtenant coupons which have not heretofore been paid. [101] In the event any such unpaid coupons due prior to May 31, 1933, are missing, the principal amount of cash, or at District's option, refunding bonds to be delivered

by the District shall be reduced in the amount of 20.50¢ for each dollar of the face amount of such missing coupons. In the event any such unpaid coupons due May 31, 1933 or subsequently, are missing, the face amount of such coupons will be deducted from the face amount of such cash, or at District's option, refunding bonds to be delivered by the District.

The District also proposes and offers to deliver to the owner and holder of said \$4,000.00 note cash, or at District's option, bonds of said District of said "Third Issue of Bonds (Refunding)" of principal amount equal to 25¢ per dollar of the principal amount of said note. The issuance of said "Third Issue of Bonds (Refunding)" was authorized by vote of the electors of said District at an election held on the 4th day of June, 1934, and by a resolution for the issuance and execution of such bonds adopted by said Board of Trustees at a meeting of Said Board held on the 24th day of July, 1934, as amended, to which resolution reference is hereby made; said refunding bonds shall bear interest at the rate of four per cent (4%) per annum, payable semi-annually on January first and July first, shall be dated July 1, 1934, shall be payable in such funds as are on the respective dates of payment of the principal of and interest on said bonds made legal tender for debts due the United States of America, shall be payable at the office of the County Treasurer of Riverside County, in the County of Riverside, California, or at the National City Bank

of New York in the Borough of Manhattan, City of New York, State of New York, at the option of the holder and shall be in thirty (30) series to mature annually from and including July 1, 1938, to and including July 1, 1967; said bonds and the coupons thereon shall be in substantially the form set out in the resolution last mentioned and may be registerable at the option of the holder as to both principal and [102] interest; said District will provide that the schedule of maturities of said bonds set out in said last mentioned resolution shall be modified so as to provide bonds in such principal amounts as may be necessary to satisfy and comply with such final decree as may be made by the United States District Court in proceedings for the composition of indebtedness of said District under Chapter X of the National Bankruptcy Act.

The District shall also deliver to each and all of the owners and holders of any interest coupons detached from the above-mentioned bonds, cash, or at District's option, the bonds of said District of the "Third Issue of Bonds (Refunding)" of principal amount (a) equal to 20.50 cents for each dollar of face amount of any such detached coupons which came due prior to May 31, 1933, and (b) equal to the face amount of any such detached coupons due May 31, 1933, or subsequently.

The District will provide cash sufficient to pay to each owner and holder of bonds and coupons the difference between the sum of \$100.00 (or nearest multiple thereof) and the principal amount of re-

funding bonds required hereunder to be delivered to such person, to the end that such cash and re-funding bonds in the principal amount of \$100.00 (or multiples thereof) shall be disbursed to such person.

[Endorsed]: Filed Oct. 7, 1938. [103]

[Title of District Court and Cause.]

DISAPPROVAL AND OBJECTIONS TO FIND-
INGS OF FACT AND CONCLUSIONS
OF LAW.

Come now respondents James H. Jordan, First National Bank of Tustin, California, a corporation, J. R. Mason, George F. Covell, and L. F. Abadie, and make and file their disapproval of and their objections to petitioner's proposed Findings of Facts and Conclusions of Law in the following respects:

I

That there should be inserted on Line 21 of Page 1 of said proposed findings, after the words "evidence under the petition" the following words: "which said objections were:

1. That there is another action pending in the State Court of California upon the same identical cause of action and demanding substantially the same relief and that that action was commenced and pending under the State law prior to the passing of Chapter X of the Bankruptcy Act, upon which this action is based.

2. That this petitioner filed in this court the same identical action and demanding the same identical relief and involving the same identical parties, based on Section 80 of the [104] Bankruptcy Act some three years ago; that a trial was had and proceedings taken, which ultimately resulted in a judgment of dismissal. That judgment has become final, therefore this proceeding is *res judicata*.

3. That the plan here proposed is not proposed pursuant to the provision of Chapter X of the Bankruptcy Act, but that said plan was proposed or consummated long prior to the passage of Chapter X of the Bankruptcy Act and that the Reconstruction Finance Corporation is a creditor of petitioner only pursuant to the consummated plan, and is not a creditor of petitioner in the same class as respondents.

And said objections having been duly made by the respondents, counsel for the petitioner conceded that the statement of facts as a basis for the first and second objections was true, except that he stated there was some slight change in the plan as shown by the record. The objections were submitted to the Court,"

II

That there should be stricken from said proposed findings the words "or a greater amount of revenues than will carry out the plan of composition hereafter mentioned." from lines 8 to 10 on page 8.

III

That there should be added to paragraph XVII after the words "and by this reference made a part hereof." on line 11 page 9 of said findings the words "the said Reconstruction Finance Corporation acquired said securities pursuant to certain written contracts made in August 1934, between the said corporation and the petitioner by the purchase of said securities from the original holders thereof, in October 1934, and that they paid to said original holders of bonds of the Palo Verde Mutual Water Company [105] an amount equal to fifty cents on the dollar of principal, and that they paid to the holders of the other securities an amount equal to .248 cents on the dollar of principal, and that in said transaction the Palo Verde Irrigation District paid approximately \$1500.00 towards the purchase price thereof, and that substantially all of said purchases, namely over 94% of the securities mentioned in the above plan, were made by the Reconstruction Finance Corporation, pursuant to a plan which was adopted by the petitioner in the year 1934, and was the subject matter of the petition in bankruptcy filed and adjudicated by this court under Section 80 of the Bankruptcy Act of the United States, and was the subject matter of the proceedings under California Statutes of 1937, Chapter 24, which said several proceedings were the basis of the objections made to the commencement of this hearing, as aforesaid."

IV

Strike out the words "and the enforcement of lien or the levy of taxes therefor" from lines 9 and 10, page 11 of said findings.

V

There should be substituted for the last paragraph of page 13, the following: "That their said action Number 28684 filed in said Superior Court on December 29, 1938 gave or made its alternative writ of mandate, requiring petitioner to pay \$44,-917.50 from funds in its custody to the petitioners in said action, or to show cause why it had not done so; that petitioner is by the said writ restrained from the disposition of said funds and that the matters involved in said writ have not been finally determined."

VI

After the words "Superior Court" on line 10, page 14 of said findings, insert the words "That in said matter the plan of [106] readjustment of debts varied from the plan of composition herein submitted in that these proceedings made optional with the petitioner whether it will deliver bonds to the creditors or pay them in cash, whereas in the said proceedings in the State Court, the plan provided for delivery of bonds and not for the payment of cash". And further, there should be substituted for the last two sentences of paragraph XVII the following: "That a hearing was held before said Superior Court on the merits of the

said plan of readjustment and after submission of said hearing said Court ordered judgment to be prepared in favor of the Palo Verde Irrigation District on April 23, 1938, and thereafter on Motion of petitioner on June 18, 1938, ordered said submission set aside and said proceeding dismissed without prejudice. That the respondents herein have appealed from said order to the Superior Court of the State of California and said cause is now pending therein and undetermined.”

VII

After the words “note and bonds” on line 20, page 15 of said findings insert the words “That by the contracts executed between petitioner and said corporation in August 1934, it is provided that upon repayment to the corporation, at any time, of the amount advanced by said corporation in acquiring said note and bonds, namely 24.81 cents per dollar of principal with 4% interest from date of disbursal by said corporation, that the obligation of the petitioner upon said note and bonds shall cease. That there has been paid to said corporation 4% per annum upon the said amounts disbursed by said corporation from the dates of disbursal, in regular semi-annual payments on or about January 1 and July 1 of each year, commencing January 1, 1935.

VIII

Add to paragraph XXXIII the following: “That said [107] corporation did consent to the plan proposed and which was the subject of the proceedings under Chapter 24 of the California Statutes of

1937, being the aforementioned action Number 29147 in the Superior Court of Riverside County and filed its written consent to the plan proposed in said proceeding as to more than 97% of the securities mentioned in the plan.”

IX

Strike out paragraph XXXVI and substitute the following: “That on March 25, 1935 petitioner filed in this Court its petition for readjustment of debts, being case Number 25394-C in bankruptcy, under Chapter IX of said Act of Congress and set up in said petition its plan of readjustment of debts, similar in character to, but varying from the plan of composition proposed herein in that the plan here gives to the petitioner the option to pay cash or deliver bonds to the creditors, whereas in the former plan, bonds only and no cash were to be delivered to the creditors, and in said former petition alleged that the same creditors were affected by said plan of readjustment, except that some of the creditors there mentioned have since sold their bonds to the Reconstruction Finance Corporation so that there has been in that respect a substitution of creditors, and alleged substantially the same facts as are alleged in this proceeding and prayed for enforcement of a similar plan, varying only as above mentioned.

That said petition filed under said Chapter IX came on regularly for hearing before the undersigned District Judge and evidence was introduced

by the parties and said matter was argued and submitted. That thereafter said District Judge rendered his opinion in favor of petitioner and after submission ordered and approved findings and a decree thereon, but before the entry thereof. The Supreme Court of the United States in the case of Ashton [108] vs. Cameron County Water Improvement District Number 1, rendered its decision. Thereafter being moved solely by the reason of the unconstitutionality of the Act as applied to this cause, the said District Judge entered the dismissal of the petition and which judgment became final, but by the force and *affect* thereof none of the matters in the present petition is res judicata; that this court has the power and jurisdiction to consider and adjudicate each and all of said matters in this proceeding.

X

Strike from paragraph XLI from line 17 to 19 the words: "that respondents are not severally entitled to judgment in said proceeding except for the restraining order issued in this proceeding" and the word "inchoate".

XI

There should be added an additional finding to read as follows: "That at the time the securities held by the Reconstruction Finance Corporation were acquired by said corporation the petitioner owned more than 98% of the area of the land in said district, having taken title thereto for delinquent assessments; that some of the lands in said

district are subject to options upon bonds of other taxing agencies similar to those of petitioner which bonds have not been scaled down in any other proceeding, nor in this proceeding, and some of which bonds are not in default nor in any wise delinquent; that some of the lands in said district are subject to mortgages and to obligations secured by deeds of trust, which have not been required to be scaled down in this or in any other proceeding.”

XII

There should be added to said findings of fact the finding to be numbered XLV, reading as follows: “That the respondent James H. Jordan is the owner of bonds of the Palo [109] Verde Joint Levee District of Riverside and Imperial Counties in the sum of \$18,000.00, bearing interest at 6½% per annum, payable semi-annually and evidenced by interest coupons. That respondent is the owner of certain interest coupons of said levee district maturing May 1, 1930 and subsequently which are wholly unpaid. That the respondent James H. Jordan is the owner of bonds of the Palo Verde Drainage District in the sum of \$3,000.00, bearing interest at 6% per annum payable semi-annually and evidenced by interest coupons. That said respondent is the owner of certain interest coupons of said drainage district maturing July 1, 1930 and subsequently which are wholly unpaid.

That respondent J. R. Mason is the owner of \$13,000.00 of bonds of the Palo Verde Irrigation District, together with unpaid interest coupons due

semi-annually commencing with the year 1930, and for each subsequent year thereafter, said interest coupons representing interest upon said bonds at the rate of 6% per annum. That said respondent is also the owner of \$14,000.00 of bonds of the Palo Verde Joint Levee District of Riverside and Imperial Counties, California, bearing interest at 6½% per annum, together with unpaid interest coupons due semi-annually commencing with the years 1930 and 1931, and for each year thereafter.

That respondent L. F. Abadie is the owner of \$15,000.00 of bonds of the Palo Verde Irrigation District, bearing interest at 6% per annum, together with unpaid interest coupons due semi-annually commencing with the year 1930, and for each year thereafter.

That respondent George F. Covell is the owner of \$10,000 of bonds of the Palo Verde Irrigation District, bearing interest at 6% per annum, together with unpaid interest coupons due semiannually commencing with the year 1930 and for each year thereafter.

That respondent First National Bank of Tustin is the owner of \$6000.00 of bonds of the Palo Verde Drainage District, bearing [110] interest at 6% per annum, together with unpaid interest coupons due semi-annually commencing with the year 1930, and for each year thereafter.

That the bonds and interest coupons held as aforesaid by said respondents, and each of them are more particularly set forth in proofs of claims filed in this proceeding.

Dated: September 22, 1938.

Respectfully submitted,

W. COBURN COOK

Attorney for Respondents

James H. Jordan, First National Bank of
Tustin, California, a corporation, J. R.
Mason, George F. Covell and L. F. Abadie

The foregoing objections have been considered
by me and overruled.

GEO. COSGRAVE

Dist. Judge.

Oct. 16, 1938. [111]

[Title of District Court and Cause.]

AFFIDAVIT OF SERVICE BY MAIL

State of California, County of Stanislaus—ss.

Esther Mortensen, being first duly sworn, says:

That she is a citizen of the United States, resident of the County of Stanislaus, over the age of eighteen years and not interested in the above entitled matter; that on the 22nd day of September, 1938 she placed a full, true and correct copy of the annexed Disapproval and Objections to Findings of Fact and Conclusions of Law in an envelope, duly sealed, and deposited the same in the United States Post Office, at Turlock, California, with postage thereon fully prepaid, addressed to Stewart, Shaw and Murphey, 835 Rowan Building, Los Angeles, California; that there is a regular daily com-

munication by mail between Turlock and Los Angeles.

ESTHER MORTENSEN

Subscribed and sworn to before me this 22nd day of September, 1938

[Seal]

GILBERT MOODY

Notary Public in and for the County of Stanislaus,
State of California

[Endorsed]: Filed Oct. 7, 1938. [112]

In the District Court of the United States In and
For the Southern District of California, Central
Division

No. 31992-C
(In Bankruptcy)

In the Matter of Petition of Palo Verde Irrigation
District, an Irrigation District, for Composition
of Debts.

INTERLOCUTORY DECREE CONFIRMING
PLAN OF COMPOSITION OF DEBTS.

The above entitled matter coming on regularly for hearing on the 18th day of July, 1938, before the above entitled Court, Honorable George Cosgrave, District Judge, presiding, upon the merits of the plan of composition of debts proposed by petitioner Palo Verde Irrigation District, and upon the peti-

tion filed by said petitioner, the answer and objections of respondents James H. Jordan, First National Bank of Tustin, California, a corporation, J. R. Mason, George F. Covell and L. F. Abadie, and said petitioner having appeared by Arvin B. Shaw, Jr., of Stewart, Shaw & Murphey, its attorneys, and said respondents having appeared by W. Coburn Cook, their attorney and said respondents having made certain objections to the jurisdiction of the Court and objections to the introduction of any evidence under the petition, which objections were, for good cause, overruled, with exceptions allowed to respondents, and it appearing that notice of this hearing has been regularly given, in accordance with Chapter X of the National Bankruptcy Act and the orders of this Court, and that this court has jurisdiction to hear said petition on the merits, and said hearing having been ordered to proceed before said Court, and evidence having been offered and introduced on said 18th day of July 1938, on behalf of the parties appearing, and said matter having been submitted on memoranda of authorities to be submitted by the parties and such memoranda having been submitted, and the Court having this day made and filed its Findings of Fact and Conclusions of Law in said matter, of even date herewith and being fully advised in the premises; [113]

Now, Therefore, It Is Ordered, Adjudged and Decreed as follows:

1. That said plan of composition of debts of petitioner, Palo Verde Irrigation District, an irriga-

tion district, be and the same is hereby approved and confirmed. That a true copy of said plan, is attached to this decree, marked "Exhibit A", and by reference made a part hereof.

2. That the claim filed by Reconstruction Finance Corporation, as owner of the promissory note and bonds aggregating in principal amount \$4,043,-730.36, is hereby approved and allowed.

3. That all of the outstanding bonds and other indebtedness of petitioner, as itemized and enumerated in schedules attached to the petition in this cause marked Exhibits "B" and "C" and made a part thereof are of one and the same class, are payable without preference out of funds derived from the same source or sources and are hereby allowed as obligations of the petitioner, whether presented or not, and that the several holders thereof are entitled to participate ratably in the distribution of the funds in accordance with said plan of composition and the decrees of this court, as hereinafter provided.

4. That, in order to provide the sum necessary to pay the incidental expenses and to pay for the outstanding bonds issued or assumed by the petitioner as contemplated by said plan of composition and the orders of this court, petitioner is hereby authorized forthwith duly to issue and sell its refunding bonds of the "Third Issue of Bonds (refunding)" to the Reconstruction Finance Corporation in amounts required to pay such incidental expenses and to pay the sum equal to 24.81 cents on the dollar of the

principal amount of its outstanding bonds (not purchased by the Reconstruction Finance Corporation), and to re-pay to Reconstruction Finance Corporation the money expended by it for the purchase of the old bonds issued or assumed by petitioner as herein provided, with interest on all disbursements for such purposes at four per cent per annum from date thereof. That the old bonds so purchased by the Reconstruction [114] Finance Corporation will thereupon be cancelled and returned to petitioner and that each and all of said refunding bonds so issued or sold by the petitioner to the Reconstruction Finance Corporation, as provided herein, are hereby declared to be valid obligations of petitioner and shall not at any time be affected by said plan of composition or these proceedings.

5. That during the pendency of these proceedings the Reconstruction Finance Corporation is authorized to purchase from the holders thereof any of the outstanding bonds issued or assumed by petitioner upon the following terms and conditions, to-wit: The Reconstruction Finance Corporation to pay the sum of 24.81 cents on each dollar of principal amount of said outstanding bonds, paying nothing on interest and deducting from said amounts for missing coupons, as provided in this decree for payment of the outstanding bonds by the disbursing agent; then when purchased, as provided in this paragraph, the old bonds shall be delivered to the Reconstruction Finance Corporation and held by it as security for the funds furnished by it for such

purpose, with interest thereon at four per cent per annum, until such time as it received from petitioner its refunding bonds for such disbursements and interest, or petitioner may pay such interest and deliver bonds for the principal.

6. That the petitioner deposit with Security-First National Bank of Los Angeles, Corporate Trust Department, whose address is Sixth and Spring Streets, Los Angeles, California, as disbursing agent of this court, the sum necessary to pay the holders of its outstanding bonds, other than bonds which shall have been purchased by the Reconstruction Finance Corporation, as herein provided, 24.81 cents on the dollar of the unpaid principal amount thereof, excluding all interest due or to become due, and the holders of said bonds be and they are hereby required to deposit said bonds, with all unpaid interest coupons attached, with the disbursing agent before payment is made as herein provided; that if any bonds are so deposited [115] with any unpaid interest coupons due before May 31, 1933, missing, the disbursing agent shall make a deduction from the amount to be paid therefor, a sum equal to 20.50 cents for each dollar of the face amount of such missing coupons, and if any bond be presented with any unpaid interest coupons maturing on or after May 31, 1933 missing, deduction shall be made from the amount to be paid therefor equal to the full face value of such missing coupons. For any interest coupons detached from the above mentioned bonds, the disbursing agent

shall pay 20.50 cents for each dollar of face amount of any such detached coupons which came due previous to May 31, 1933, and the face amount of any such detached coupons due May 31, 1933, or subsequently.

7. After making payment for all bonds and coupons of Palo Verde Mutual Water Company, said disbursing agent shall cancel and retain said bonds and coupons and shall reconvey, in accordance with law and the deed of trust securing said bonds, the property held by it as trustee under said deed of trust. When payment shall have been made by the disbursing agent for the promissory note mentioned in said plan, said disbursing agent shall cancel said note and surrender it to petitioner. When payment shall have been made for any bonds and coupons affected by said plan issued by Palo Verde Joint Levee District of Riverside and Imperial Counties, California, Palo Verde Drainage District and Palo Verde Irrigation District, said disbursing agent shall surrender such bonds and coupons to the County Treasurer of Riverside County, California, for cancellation.

8. That, in the event any of the old bonds and interest coupons are not surrendered to the disbursing agent within thirty days after receipt by such agent of the money with which to redeem the same, then the proportionate sum to which the holders thereof may be entitled under the plan of composition and the terms of this decree shall be paid by the disbursing agent to the Clerk of this

Court as Registrar and thereafter paid by him to the holders of such bonds, in accordance with the provisions of this decree and such further [116] decrees of this court as are made in reference to the payment of such bonds.

9. That the Clerk of this Court shall cause to be published in the "Los Angeles Daily Journal" and the "Palo Verde Valley Times", newspapers published in Los Angeles and Blythe, California, respectively, for two successive issues, notice to the holders of the outstanding bonds issued and assumed by the petitioner, directing every holder thereof to deposit any and all bonds and coupons issued or assumed by the petitioner with the disbursing agent within the thirty day period above provided or thereafter with the Clerk of this Court for payment, in accordance with this decree, or be forever barred from claiming or asserting, as against petitioner or any individually owned property located within petitioner or the owners thereof, any claim or lien arising out of said bonds or coupons; provided, however, that nothing contained herein shall preclude the Reconstruction Finance Corporation from asserting its rights and claims under the old bonds so purchased by it to the extent and amount so expended in acquiring the same, with interest thereon at the rate of four per cent per annum, until petitioner shall have delivered to the Reconstruction Finance Corporation its refunding bonds in form satisfactory to said Reconstruction Finance Corporation in the aggregate

principal amount equal to the money so expended in acquiring such old bonds, with interest.

10. That after the expiration of thirty days from the date of receipt of the funds to carry out the terms of said plan of composition and retiring the outstanding indebtedness as provided in said plan, the disbursing agent shall make full and complete report to this Court for confirmation, including an itemized statement of all receipts and disbursements, together with a list of old bonds outstanding at the time of such report, showing serial number of and amount of each outstanding unpaid bond.

11. That respondents herein, James H. Jordan, First National [117] Bank of Tustin, California, George F. Covell, J. R. Mason, L. F. Abadie, and W. Coburn Cook, their attorney, and each of them, and all other holders of securities affected by said plan and the servants, agents, attorneys and employees of them, and each of them, and all persons acting under them or on their behalf, or claiming so to act, be and they are hereby enjoined and restrained, until the entry of said final decree or the further order of this Court, from in any manner, directly or indirectly, or at all, commencing or continuing to prosecute or further any suits, actions, or proceedings upon, on account of, or in respect of said indebtedness affected by said plan, or any of said indebtedness, and from taking or prosecuting any acts, measures, steps or proceedings looking to the enforcement of said indebtedness or any thereof, or the enforcement of any lien, or the enforcement

or levy of taxes for the payment of said indebtedness, or any thereof, and, in particular, said persons, and each of them, are enjoined and restrained from prosecuting or furthering as against any defendants or respondents therein named any of those certain actions, proceedings or appeals now pending in the Superior Court of the State of California, in and for the County of Riverside, and in the Justice's Court of Riverside Township, in said County, and in the District Court of Appeal of the State of California, in and for the Fourth Appellate District, and in the Supreme Court of said State, mentioned in the Court's Findings of Fact, herein this day filed.

And the suits, proceedings and appeals now pending hereinabove referred to, and each of them, are stayed, pending the entry of final decree herein, and each of said persons is hereby enjoined and restrained, pending the entry of final decree herein, from attempting in any manner, whether by legal proceedings or otherwise, the enforcement or collection of any claim, judgment or lien respecting any indebtedness affected by said plan, which he may now have against petitioner, said Levee District or said Drainage District, or against any of the lands situate within petitioner's boundaries, or against [118] any of the owners of such lands. That the costs and expenses of this proceeding accrued to date hereof be taxed against petitioner.

Let exceptions be reserved to respondents.

Done, ordered and decreed in the above entitled Court in Chambers, in the City of Los Angeles, Cali-

fornia, in said Southern District of California, this Oct. 6, 1938.

GEO. COSGRAVE

District Judge

Sept. 22, 1938.

Approved as to form under Rule 8:

W. COBURN COOK,
Attorneys for Respondents

(Received Sept. 19, 1938, 9 A.M.)

Approved:

SECURITY-FIRST NATIONAL
BANK OF LOS ANGELES

By.....

Its Vice-President [119]

EXHIBIT "A"

PLAN OF COMPOSITION

PALO VERDE IRRIGATION DISTRICT

Palo Verde Irrigation District, being unable to meet the debts as they mature, desires to effect the following plan of composition:

Said debts consist principally of issued, outstanding and unpaid bonds issued or assumed by said District, to-wit, bonds issued by the following entities and in the amounts hereinafter set opposite the names of such entities, to-wit:

Palo Verde Mutual Water Company, Principal Amount	\$170,000.00
Palo Verde Joint Levee District of Riverside and Imperial Counties, California, first issue,	Principal Amount \$911,951.86
Palo Verde Joint Levee District of Riverside and Imperial Counties, California, second issue,	Principal Amount \$304,378.50
Palo Verde Drainage District,	Principal Amount \$850,000.00
Palo Verde Irrigation District, first issue,	Principal Amount \$1,725,000.00
Palo Verde Irrigation District, second issue,	Principal Amount \$ 213,000.00
	Total, \$4,174,330.36

Together with certain unpaid coupons on each of said bonds.

Said debts also include promissory note of said District payable to D. A. Foley & Co. in the principal amount of	4,000.00
--	----------

This District proposes and offers to deliver to each and all of the owners and holders of any of the above mentioned bonds cash, or at District's option, the bonds of this District of the "Third Issue of Bonds (Refunding)" of principal amount equal to 24.81¢ per dollar of the principal amount of the bonds of the above mentioned company and districts owned and held by the above mentioned owners and holders. Each of said bonds shall be accompanied by all of its appurtenant coupons which have not heretofore been paid. [120] In the event any such unpaid coupons due prior to May 31, 1933, are missing, the principal amount of cash, or at District's option, refunding bonds to be de-

livered by the District shall be reduced in the amount of 20.50¢ for each dollar of the face amount of such missing coupons. In the event any such unpaid coupons due May 31, 1933, or subsequently, are missing, the face amount of such coupons will be deducted from the face amount of such cash, or at District's option, refunding bonds to be delivered by the District.

The District also proposes and offers to deliver to the owner and holder of said \$4,000.00 note cash, or at District's option, bonds of said District of said "Third Issue of Bonds (Refunding)" of principal amount equal to 25¢ per dollar of the principal amount of said note. The issuance of said "Third Issue of Bonds (Refunding)" was authorized by vote of the electors of said District at an election held on the 4th day of June, 1934, and by a resolution for the issuance and execution of such bonds adopted by said Board of Trustees at a meeting of said Board held on the 24th day of July, 1934, as amended, to which resolution reference is hereby made; said refunding bonds shall bear interest at the rate of four per cent (4%) per annum, payable semi-annually on January first and July first, shall be dated July 1, 1934, shall be payable in such funds as are on the respective dates of payment of the principal of and interest on said bonds made legal tender for debts due the United States of America, shall be payable at the office of the County Treasurer of Riverside County, in the County of Riverside, California, or at the National City Bank of

New York in the borough of Manhattan, City of New York, State of New York, at the option of the holder and shall be in thirty (30) series to mature annually from and including July 1, 1938, to and including July 1, 1967; said bonds and the coupons thereon shall be in substantially the form set out in the resolution last mentioned and may be registrable at the option of the holder as to both principal and [121] interest; said District will provide that the schedule of maturities of said bonds set out in said last mentioned resolution shall be modified so as to provide bonds in such principal amounts as may be necessary to satisfy and comply with such final decree as may be made by the United States District Court in proceedings for the composition of indebtedness of said District under Chapter X of the National Bankruptcy Act.

The District shall also deliver to each and all of the owners and holders of any interest coupons detached from the above-mentioned bonds, cash, or at District's option, the bonds of said District of the "Third Issue of Bonds (Refunding)" of principal amount (a) equal to 20.50 cents for each dollar of face amount of any such detached coupons which came due prior to May 31, 1933, and (b) equal to the face amount of any such detached coupons due May 31, 1933, or subsequently.

The District will provide cash sufficient to pay to each owner and holder of bonds and coupons the difference between the sum of \$100.00 (or nearest multiple thereof) and the principal amount of re-

funding bonds required hereunder to be delivered to such person, to the end that such cash and re-funding bonds in the principal amount of \$100.00 (or multiples thereof) shall be disbursed to such person.

[Endorsed]: Filed Oct. 7, 1938. [122]

[Title of District Court and Cause.]

NARRATIVE STATEMENT OF EVIDENCE

Hon. George Cosgrave, Judge Presiding

Stewart, Shaw & Murphey, by Arvin B. Shaw, Jr., Esq., appearing for petitioner, Palo Verde Irrigation District, and W. Coburn Cook, Esq., appearing for the respondents.

This cause came on for hearing upon the petition of the Palo Verde Irrigation District for composition of debts and the answer and objections of the several objecting creditors who were described as respondents, on July 18, 1938.

The following is a narrative statement of the evidence adduced at said hearing:

It was stipulated between counsel that a certain [123] stipulation entered into under date of June 20, 1938, and filed herein on June 29, 1938, whereby it was stipulated that the evidence in this proceeding should be adduced by filing with the court a transcript of proceedings at a prior hearing together with the exhibits there submitted, in lieu

of the presentation of witnesses and the taking of their testimony again orally, be now extended to cover all the respondents for whom Mr. Cook appeared.

Whereupon petitioner offered in evidence an original reporter's transcript of testimony taken in the Superior Court of the State of California in and for the County of Riverside in case 29147 in that court, the trial in said Superior Court action commencing on November 17, 1937, together with exhibits introduced in that case being all of the exhibits introduced except Exhibits 1 and 2. The transcript was marked as petitioner's Exhibit 1.

Whereupon respondents by Mr. Cook, objected to the introduction of this or any evidence upon the grounds that the court did not have jurisdiction to proceed with the hearing of the cause because of the following facts:

1. On April 20, 1937 the district filed a petition in the Superior Court of Riverside County under Chapter 24 of the Statutes of 1937 of the State of California. This petition was filed for readjustment of the same indebtedness mentioned in the present petition, was substantially identical with the present petition and petitioner will rely on the present case on the evidence and exhibits used in the former case.

The former case was fully tried and submitted for decision and the Superior Court on April 23, 1938 rendered a written opinion that the plan was fair and directed the district to prepare findings

and judgment. In June of 1938, the district moved the Superior Court for an order vacating the submission of the case and for dismissal without prejudice, which order was granted. Respondents [124] have appealed from said order. Respondents urge the former case as a bar, as a prior action pending.

2. The district in 1935 had a proceeding pending in this court under Section 80 of the Bankruptcy Act. This proceeding was tried and submitted and the Court came to the conclusion that the plan should be approved. The district submitted findings. The Supreme Court of the United States held Section 80 unconstitutional. This Court on December 8, 1936, filed a judgment of dismissal on the sole ground that Section 80 was unconstitutional. The petition and plan and parties in the case under Section 80 and those in the present case are substantially identical except that in the present case the district reserves the right to pay in cash or bonds, whereas the former plan only offered bonds. The Reconstruction Finance Corporation in the former proceeding and in this proceeding claimed substantially the same bonds. Respondents urge *res judicata*.

3. The plan shows on its face that the Reconstruction Finance Corporation has long since consented to the plan and the plan was one that had been proposed, conceived and carried out, out of court.

Mr. Shaw, on behalf of petitioner, agreed to the facts recited by Mr. Cook under the first two of the

foregoing three points but did not accept Mr. Cook's statement of facts under the third point.

Whereupon, petitioner's Exhibit 1 was admitted in evidence. Exhibit 1 was the reporter's transcript of testimony taken as aforesaid in the case of "In the Matter of the Petition of the Palo Verde Irrigation District, an irrigation district for adjustment of Debts," in the Superior Court of the State of California in and for the County of Riverside in November 1937, together with the exhibits there submitted except Exhibits 1 and 2. Said Exhibit 1 comprised the following evidence: [125]

The petitioner first offered in evidence Exhibit 1 (in said case, being the first of the exhibits attached to said transcript of testimony) which was a purported consent to the plan of readjustment, dated April 7, 1937, and which was admitted for the limited purpose of showing the consent of the Reconstruction Finance Corporation to the plan of readjustment of indebtedness.

Exhibit 3 was attached to the transcript of the Superior Court proceeding, and this Exhibit was a copy of the California Districts Securities Commission, No. 13, dated March 19, 1937, approving the plan of readjustment of debts as set forth in the State Court petition.

RALPH SIEGFRIED

was called as a witness on behalf of the petitioner and testified that he had been a securities dealer since 1925 in the Los Angeles office of a New York company specializing in irrigation district bonds. That schedules introduced in evidence as Exhibit 4 correctly showed actual transactions in the purchase and sales of bonds [126] of the Palo Verde Irrigation District, Palo Verde Joint Levee District, and Palo Verde Drainage District for the period from 1930 to November 1, 1934. Over the objection of respondents that they were incompetent and immaterial, three schedules were introduced in evidence as Exhibit 4. The first schedule showed transactions of purchases and/or sales of the Palo Verde Joint Levee District bonds. The second one, of Palo Verde Drainage District bonds, and the third one of Palo Verde Irrigation District bonds, all of them covering the period from 1931 to 1934 and all of them compiled from records in the company with which the witness was connected.

The schedules show selling prices, which were "Flat", i.e., were regardless of accumulated unpaid interest. They were the highest prices that could be obtained for the bonds. Exhibit 4 shows that the bonds sold in 1930 and 1931 at 10 to 14 per cent of principal, gradually declined to 2 about the beginning of 1933 and then slowly increased to 21½ on November 1, 1934, after which there were no sales. Twenty-two sales listed were at prices from 2 to 5.

(Testimony of Ralph Siegfried.)

The transactions took place during the economic depression; there are plenty of stocks and bonds that sold for little or nothing in 1932 that today are worth close to par. There was an established, but not listed, market value for these bonds.

L. C. MEYER

was called as a witness for petitioner and testified that he was an assistant cashier for the Federal Reserve Bank of San Francisco, Los Angeles branch, which handled certain transactions in Palo Verde bonds as custodian and fiscal agent for Reconstruction Finance Corporation; that copies of communications introduced in evidence as Exhibit 5 were communications received from the Reconstruction Finance Corporation by the Federal Reserve Bank.

Exhibit 5 was introduced in evidence for the limited [127] purpose of showing the scope of authority of the Federal Reserve Bank as the agent of the Reconstruction Finance Corporation, and consisted of a copy of a letter dated October 6, 1934, copies of memoranda, and certain schedules, all as follows:

(Testimony of L. C. Meyer.)

PETITIONER'S EXHIBIT NO. 5

Reconstruction Finance Corporation
Washington

October 6, 1934

Federal Reserve Bank of San Francisco
San Francisco, California

Re: Palo Verde Irrigation District,
Docket No. Ref. 92

Gentlemen:

This Corporation has authorized a loan of not to exceed [128] the sum of \$1,039,423.00, for the purpose of enabling Palo Verde Irrigation District, a public corporation, organized under the laws of the State of California, to reduce and refinance its outstanding bonded indebtedness.

We now wish to purchase outstanding bonds of the District (either issued by the District or assumed by it) in an aggregate principal amount of not to exceed \$4,174,330.36 on the basis of a payment at the rate of 24.81 cents for each dollar principal amount of the bonds so purchased and to also purchase a \$4,000.00 promissory note executed by Palo Verde Irrigation District and now held by Bank of America at Los Angeles, which note is to be [129] purchased at the rate of 25 cents for each dollar of principal due therefor.

We are forwarding a copy of this letter to L. A. Hauser, President of the District, who will make arrangements for the delivery of the securities to be purchased.

(Testimony of L. C. Meyer.)

We are sending the ribbon copy of this letter, accompanied by the exhibits hereinafter set forth, to your Los Angeles Branch and direct said Branch to purchase the bonds and note upon the following terms and conditions.

(1) Provided there is presented for payment at least \$3,931,130.36 principal amount of said bonds together with the \$4,000.00 note, making a total of \$3,935,130.36. If such "Old Securities" are not presented for payment your Branch will refuse to make any disbursement and so advise this Corporation.

(2) Your Branch will in no event purchase bonds in excess of the principal amount of \$4,174,330.36 nor shall your Branch purchase bonds of different issues in excess of the following amounts:

Palo Verde Irrigation District,	
1st issue	\$1,725,000.00
Palo Verde Irrigation District,	
2nd issue	213,000.00
Palo Verde Drainage District.....	850,000.00
Palo Verde Mutual Water Com-	
pany	170,000.00
Palo Verde Joint Levee District,	
1st issue	911,951.86
Palo Verde Joint Levee District,	
2nd issue	304,378.50
	<hr/>
Total	\$4,174,330.36

(Testimony of L. C. Meyer.)

(3) The bonds which will be presented for purchase are as follows:

(a) Bonds of the Palo Verde Irrigation District, First Issue, of the aggregate principal amount of not less than \$1,605,000.00. Said bonds are dated September 1st, 1925, are of a \$1,000.00 denomination and bear interest at the rate of six per cent per annum, payable January 1st and July 1st of respective years. The number and maturity dates of each of the bonds of this issue to be delivered to your Branch shall correspond to that set forth in Exhibit "A". Except as to serial number, maturity date and attached interest coupons, each of said bonds shall correspond as to form, text and signature with the photostatic copy of Bond No. 1, marked Exhibit "B". These bonds will be accompanied by coupons as set forth in Exhibit "A".

(b) Palo Verde Irrigation District Bonds, Second Issue, of the aggregate principal amount of not less than \$208,000.00 said bonds being dated September 1st, 1925, are of a \$1000.00 denomination and bear interest at the rate of six per cent per annum, payable January 1st and July 1st of the respective years. The number and maturity dates on each of the bonds of this issue to be delivered to your Branch shall correspond with that set forth in [130] Exhibit "C". Except as

(Testimony of L. C. Meyer.)

to serial number, maturity date and attached interest coupons, each of said bonds shall correspond as to form, text and signature with the photostatic copy of Bond No. 1, marked Exhibit "D". These bonds will be accompanied by coupons as set forth in Exhibit "C".

(c) Palo Verde Drainage District Bonds, 1st issue, in the aggregate principal amount of not less than \$805,500.00, which said bonds are dated December 1st, 1921, and are of the denomination of \$500.00 and bear interest at the rate of six per cent per annum, payable July 1st and January 1st of the respective years. The number and maturity dates of each of the bonds of this issue to be delivered to your Branch shall correspond to that set forth in Exhibit "E". Except as to serial number, maturity date and attached interest coupons, each of said bonds shall correspond as to form, text and signature with the photostatic copy of Bond No. 1, marked Exhibit "F". The bonds will be accompanied by coupons as set forth in Exhibit "E".

(d) Palo Verde Mutual Water Company, First Mortgage Serial Bonds of an aggregate principal amount of not less than \$162,300.00, which said bonds are dated February 1st, 1916, are in denominations of \$1,000.00, \$500.00, \$100.00 and bear interest at the rate

(Testimony of L. C. Meyer.)

of six per cent per annum, payable August 1st and February 1st of the respective years. The number, maturity dates and principal amount of each of the bonds of this issue to be delivered to your Branch, shall correspond to that set forth in Exhibit "G". Except as to serial number, maturity date, principal and attached interest coupons, each of said bonds shall correspond with the form, text and signature of the photostatic copy of Bond No. 243, marked Exhibit "H". The bonds will be accompanied by coupons as set forth in Exhibit "G".

(e) Palo Verde Joint Levee District Bonds, First Issue, of an aggregate principal amount of not less than \$869,951.86, which said bonds are dated May 1st, 1918, each of the denomination of \$1,000.00, except Bond No. 1286 which is of the denomination of \$951.86, and bear interest at the rate of six per cent per annum, payable on May 1st and November 1st of the respective years. The number and maturity dates of each of the bonds of this issue to be delivered to your Branch shall correspond to that set forth in Exhibit "I". Except as to serial number, principal, maturity date and attached interest coupons, each of said bonds shall correspond with the form, text and signature on the photostatic copy of Bond No. 354 marked Exhibit

(Testimony of L. C. Meyer.)

“J”. The bonds will be accompanied by coupons as set forth in Exhibit “I”.

(f) Palo Verde Joint Levee District, Second Issue, in the aggregate principal amount of not less than \$280,378.50. Said bonds are dated November 1st, 1922, and are of the denomination of \$1,000.00, except bond No. 372, which is of the denomination [131] of \$378.50, and bear interest at the rate of 6½% per annum, payable May 1st and November 1st, of the respective years. The number and maturity dates on each of the bonds of this issue to be delivered to your Branch, shall correspond to that set forth in Exhibit “K”. Except as to serial number, maturity date principal and attached interest coupons, each of said bonds shall correspond as to form, text and signatures with the photostatic copy of Bond No. 66, marked Exhibit “L”. The bonds will be accompanied by coupons set forth in Exhibit “K”.

(4) The note to be purchased is one executed by Palo Verde Irrigation District, dated February 1, 1930, payable to the order of D. A. Foley & Co., and assigned to Bank of America of Los Angeles. Said note is for the principal sum of \$4,000.00, is payable January 2, 1932, and bears interest at the rate of 7% per annum. This note is to be endorsed, “without recourse” to this Corporation. In the event said note is

(Testimony of L. C. Meyer.)

not presented your Branch will refuse any disbursement and so advise this Corporation.

(5) A certificate will be presented to your Branch by the Treasurer of Palo Verde Irrigation District, setting forth which coupons have been paid on the various bonds and your Branch is directed to check the coupons attached to the respective bonds as set forth in the various exhibits, with the information received from the Treasurer of said District. The information relative to the coupons accompanying the respective bonds has been furnished by the officers of Palo Verde Valley Properties, Inc., and some discrepancies may appear when the bonds and coupons are checked. This Corporation is desirous of seeing that all unattached coupons have been presented for payment and paid. No credit will be allowed for coupons which fell due prior to the coupons as set forth in the exhibits attached hereto, even though such additional coupons accompany the respective bonds. Should it develop that any coupons are missing, which fell due prior to the coupon as set forth in the respective exhibits, or prior to May 31st, 1933, no deduction will be made from the loan authorized provided it further appears that said coupons have been paid so that they are no longer an obligation against the District. If such coupons are missing and have not been paid, a deduction of 20.50 cents

(Testimony of L. C. Meyer.)

for each dollar face amount of such missing coupons will be made from the payment for the respective bonds. In the event that any coupons due May 31st, 1933, or subsequently are missing, the face amount of such coupons will be deducted from the amount to be paid for the respective bonds. If any such changes or corrections are apparent, your Branch is authorized to make them accordingly and to make a deduction as above stated. We have prepared a list marked Exhibit "M", setting forth the missing coupons from respective bonds which said list has been prepared to assist in checking such missing coupons. Deductions from the purchase price of the respective bonds will be made for these coupons as hereinabove provided. This list also has been prepared from information furnished this Corporation and some discrepancies [132] may appear. Your Branch is authorized to make such changes as are apparent, as for instance should a coupon be presented which is reported missing, then your Branch may disregard our record as to such coupon.

(6) If any bonds are presented for purchase in addition to those enumerated in the various exhibits your Branch is authorized to purchase said bonds on the basis hereinabove set forth provided the President or Secretary of Palo Verde Irrigation District furnish your Branch

(Testimony of L. C. Meyer.)

with a certificate stating that said bonds are genuine outstanding bonds of a particular issue and provided the total amount of bonds to be purchased of any particular issue does not exceed the amounts set forth above.

(7) The Secretary of the District shall furnish to your Branch two counterparts of a certificate certifying that all the bonds presented for payment are the valid outstanding obligations of said District, and that the same have not been heretofore paid and canceled. The signature of the Secretary on said counterparts shall be certified to by an officer of a bank which is a member of the Federal Reserve System of your District. Each of said counterparts shall correspond to Exhibit "N".

(8) There will be delivered to your Branch a note in the sum of \$90,000.00 executed by the District in favor of Palo Verde Mutual Water Company. The note is dated October 8, 1928, bears interest at the rate of 6% per annum and fell due April 8, 1929. No payment is to be made for this note, but it is to be marked paid and surrendered. If this note is not surrendered your Branch will refuse any disbursement and so advise this Corporation.

Upon receipt of the foregoing documents your Branch will check the genuineness of the signatures appearing on each of the bonds and will also check the form and text of the bonds with that of the re-

(Testimony of L. C. Meyer.)

spective photostatic copies attached as exhibits. Your Branch will also check the serial number, principal amounts and maturities and ascertain that proper coupons are attached to each bond evidencing interest payments as set forth in the respective exhibits showing coupons attached to each bond.

Your Branch will also check all signatures on the bonds for genuineness, by comparing the same with the signatures appearing on the respective photostatic copies of bonds and will check the genuineness of the seal appearing thereon by comparing the same with a certificate which will be furnished it by the Secretary of the Palo Verde Irrigation District, which said certificate should have impressed upon it the seal of the particular District or Company as the case may be, certified to as to genuineness by the Secretary of Palo Verde Irrigation District and should bear a statement by said Secretary that the genuine signatures of the proper officers appear on the photostatic copy of each of the bonds. The signature of the officer so executing said certificates should be certified to by an officer of a bank which is a member of the Federal Reserve System of your District.

Upon being satisfied that the bonds and accompanying documents delivered to it comply with the foregoing instructions [133] your Branch will make payment by check, payable to the order of Palo Verde Valley Properties Inc., in an amount representing payment at the rate of 24.81 cents for

(Testimony of L. C. Meyer.)

each dollar principal amount of the bonds presented for purchase, unless deductions are made from any particular bond for missing coupons as hereinabove stated. Your Branch is authorized to reimburse itself for such payment by drawing against this Corporation's Account with the Treasury of the United States, Symbol 93-300.

In no event shall the total amount paid out exceed the sum of \$1,036,923.00. If the bonds and note presented call for payment of more than this sum your Branch will refuse to make any disbursement and so advise this Corporation.

We request that your Branch hold the aforesaid bonds and one copy of each of the other documents referred to herein as Custodian for this Corporation and collect interest on and principal of such bonds in such amounts and at such times as hereinafter authorized by this Corporation.

We also request that upon closing this transaction your Branch forward to us one copy of each of the documents, other than the bonds, received at such closing, together with a statement showing the amount disbursed, indicating therein the principal amount of the bonds of each issue so purchased, together with any deductions which may have been made for missing coupons.

Yours very truly,

(Signed) H. A. MULLIGAN,
H. A. MULLIGAN,

Treasurer.

(Testimony of L. C. Meyer.)

Copies to:

Los Angeles Branch
Reserve Bank of San Francisco,
Los Angeles, California.

L. A. Hauser, President,
Palo Verde Irrigation District,
Box #930, Arcade Station,
Los Angeles, California.

Messrs. O'Melveny, Tuller & Myers,
Attorneys at Law,
433 South Spring Street,
Los Angeles, California.

Then follows:

Memorandum dated October 25, 1934, and copy of translation of telegram dated October 18, 1934, both from the Reconstruction Finance Corporation, Washington, D. C., to the Federal Reserve Bank and both giving certain instructions as to certificates showing *genuiness* of signatures of officers executing [134] various bonds and instructions as to identification of bonds.

Translation of telegram received, as follows:

From: RF Washington 110pm 10/15/34
FRB SF Copy FRB

To: Los Angeles

Referring to letter Oct 6th Palo Verde Irrigation District change rate of interest to six and one half per cent in paragraph E page three. Assistant Secretary may execute required certificates. Note held by Palo Verde Mutual Water Co to be surrendered

(Testimony of L. C. Meyer.)

to Palo Verde Irrigation District. Pay one thousand dollars for note of four thousand held by Bank of America at Los Angeles. Accept certificate from Security First Natl Bank of Los Angeles to show which coupons have been paid on bonds Palo Verde Mutual Water Company and certificate from County Treasurer Riverside County as ex officio treasurer of Palo Verde Irrigation District to show which coupons have been paid on other bond issues. Make check payable to Security First Natl Bank of Los Angeles as depository in place of Palo Verde Valley properties Incorporated. T dash One ticket in amount of total disbursements should be submitted with T dash nine report. Attach memo of closing to ticket describing documents received. You are authorized to proceed on this basis, other terms and conditions previous authorization(s) remaining unchanged.

11:40 am

MULLIGAN.

Then follows schedules of deposited bonds, photostatic copies of bonds, schedules of missing coupons and bonds, and form of certificate for execution by the secretary of the Palo Verde Irrigation District as to the validity of bonds which the Reconstruction Finance Corporation acquired through the Los Angeles Branch Federal Reserve Bank of San Francisco.

Mr. L. C. Meyer further testified that following the receipt of the file of papers introduced as Exhibit 5 from the Reconstruction Finance Corpo-

(Testimony of L. C. Meyer.)

ration he proceeded on behalf of his bank to get in touch with the Security First National Bank, which, he was informed, was trustee for bondholders. Subsequently the Security Bank brought to his bank bonds held in that capacity and certain written instruments and he turned over money to the Security Bank after receiving those bonds. This transaction took place about October 31, 1934. A letter dated October 31, 1934, introduced in evidence as part of Exhibit 6 reflects approximately the amount of face value of bonds received and the amount of money paid by the Federal Reserve Bank. [135]

Exhibit 6 consisted of two letters reading as follows:

PETITIONER'S EXHIBIT NO. 6

(Emblem)

Security-First National Bank of Los Angeles
Savings Commercial Trust

Head Office of Trust Department

Sixth and Spring Streets

Los Angeles, California

October 18, 1934

Reference: Trust No. C-6070

Federal Reserve Bank of San Francisco

Los Angeles Branch

Los Angeles, California

Gentlemen:

We herewith hand you in trust and subject to our further instructions \$964,000.00 principal amount of Palo Verde Irrigation District Six Per Cent Bonds

(Testimony of L. C. Meyer.)

with certain coupons thereto attached all as more particularly described on the attached list of 21 pages.

These bonds and coupons are handed to you at this time in order that you may verify them in connection with instructions which you have received from the Reconstruction Finance Corporation regarding the refunding of Palo Verde Irrigation District's various bond issues.

Please give our messenger a trust receipt for the above bonds and coupons for safekeeping subject to our further instructions. Additional blocks of bonds of other Palo Verde issues will be handed you as soon as you are able to receive them.

Yours very truly,

(Signed) C. W. FARIES

BF

Assistant Secretary

(Emblem)

Security-First National Bank of Los Angeles

Savings Commercial Trust

Head Office of Trust Department

Sixth and Spring Streets

Los Angeles, California

October 31, 1934

Reference: Trust No. C-6070 [136]

Los Angeles Branch

Federal Reserve Bank of San Francisco

Los Angeles, California

Gentlemen:

As stated in our previous correspondence, we have heretofore handed you \$3,956,230.36 par value of

(Testimony of L. C. Meyer.)

bonds of various so-called Palo Verde issues together with certain coupons pertaining to said bonds. We now herewith return to you your receipts for said bonds and coupons as follows:

Oct. 11, 1934	No. 10968	for \$444,678.50	p. v. bonds.
Oct. 15, 1934	No. 10969	for \$314,500.00	p. v. bonds.
Oct. 16, 1934	No. 10971	for \$491,000.00	p. v. bonds.
Oct. 17, 1934	No. 10972	for \$871,951.86	p. v. bonds.
Oct. 18, 1934	No. 10973	for \$964,000.00	p. v. bonds.
Oct. 19, 1934	No. 10975	for \$868,100.00	p. v. bonds.
Oct. 26, 1934	No. 10982	for \$ 2,000.00	p. v. bonds.
Oct. 26, 1934	No. 10982	for \$ 4,000.00	Note
Oct. 30, 1934	letter	"	4 coupons
Oct. 31, 1934	"	"	10 coupons
"	"	"	7 "

You are hereby authorized and instructed to use all of the bonds and coupons represented by the above described receipts in accordance with instructions of the Board of Trustees of Palo Verde Irrigation District when you are ready, able, and willing to pay us the sum of \$981,819.15.

Please acknowledge receipt of these instructions and the enclosures on the carbon copy of this letter provided for that purpose.

Yours very truly,

C. W. FARIES

Assistant Secretary

(Testimony of L. C. Meyer.)

The amount of money paid was approximately Nine Hundred and some odd thousand dollars, paid to the Security Bank. Some additional bonds were thereafter received and Exhibit 7 is a correct schedule of bonds of Palo Verde Irrigation District, Palo Verde Drainage District, and Palo Verde Joint Levee District, for which the Federal Reserve Bank had paid moneys to the Security First National Bank. For all these bonds the Federal Reserve Bank paid the same number of cents per dollar of principal value.

Exhibit 7 was a schedule entitled as follows:

PETITIONER'S EXHIBIT NO. 7

“BONDS OF PALO VERDE IRRIGATION DISTRICT OR BONDS ASSUMED BY PALO VERDE IRRIGATION DISTRICT HELD BY LOS ANGELES BRANCH, FEDERAL RESERVE BANK OF SAN FRANCISCO, AS CUSTODIAN AND FISCAL AGENT FOR RECONSTRUCTION FINANCE CORPORATION AS OF JULY 15, 1937” [137]

The recapitulation contained in this schedule reads as follows:

(Testimony of L. C. Meyer.)

"RECAPITULATION OF BONDS & NOTE

Palo Verde Irrigation District First Issue Bonds	1,649,000.00
Palo Verde Irrigation District Second Issue Bonds	208,000.00
Palo Verde Mutual Water Company Bonds	169,900.00
Palo Verde Drainage District First Issue Bonds	835,500.00
Palo Verde Joint Levee District of Riverside & Imperial Counties First Issue Bonds	886,951.86
Palo Verde Joint Levee District of Riverside & Imperial Counties Second Issue Bonds	290,378.50
Note of Palo Verde Irrigation District	4,000.00
	\$4,043,730.36"

A copy of a promissory note payable to D. A. Foley & Company for \$4,000 signed by Palo Verde Irrigation District, Tony Sealey, president, and O. W. Malmgren, first assistant secretary, dated February 1, 1930, was introduced as petitioner's Exhibit 8, the note being the one that was detailed in the recapitulation of Exhibit 7.

The Federal Reserve Bank expended in these transactions \$1,002,887.47. It received these funds from the Reconstruction Finance Corporation, drawing through the Treasurer of the United States. Payment was made at the rate of \$24.81 per hundred dollars of principal, without taking any account of interest, and with certain deductions for missing coupons. The same rate was paid on Levee bonds, Irrigation bonds, Drainage bonds, and Mutual Water Company bonds. No note or agreement to pay executed by the District to the Reconstruction Finance Corporation was ever in the hands of the Federal Reserve Bank in connection with these transactions.

CULBERT W. FARIES

was called as a witness by petitioner and testified that he was assistant secretary and assistant trust officer of the Security First National Bank of Los Angeles and during the years 1934 and 1935 was in charge of an escrow held by the bank covering certain bonds of the Palo Verde Irrigation District and bonds assumed by [138] that district; that deposits of bonds were received from many individuals, partnerships, and corporations together with escrow instructions, the instructions being the same for the Drainage, Levee, and Irrigation District bonds. A different form of [139] instructions was used for the Mutual Water Company bonds.

One hundred sixty-nine thousand nine hundred dollars principal amount of Palo Verde Mutual Water Company bonds had been received.

A form of escrow instruction was introduced as

PETITIONER'S EXHIBIT NO. 9,

which reads as follows:

In Pencil:

(This agreement either in printed or typewritten form signed by all depositors except in certain cases the clause authorizing deducting for missing coupons was eliminated where no coupons were missing and also excepting the deposit by Ralph D. La Coe, Jr., covering a \$100 Bond.)

(Testimony of Culbert W. Faries.)

ESCROW AGREEMENT AND INSTRUCTIONS
In Pencil:

(Deductions for missing coupons made at rate of 20.50 cents for each dollar par value.)

Security-First National Bank of Los Angeles
Corporate Trust Department
Sixth and Spring Streets
Los Angeles, California

I hand you herewith \$169,900, principal amount of bonds of Palo Verde Mutual Water Company as follows:

Bonds numbered accompanied by coupons due and subsequent thereto, which you are authorized to deliver to or upon the order of the Board of Trustees of said Palo Verde Irrigation District upon receipt for my account of a sum of money equal to \$500.00 for each \$1,000 principal amount of said bonds, and a proportionately smaller amount for each bond of less than \$1,000, provided, however, that where any bonds deposited by me do not have attached all unpaid coupons maturing subsequent to February 1, 1932, you are authorized to deduct on account of such missing coupons from the aforesaid sum of money to be paid me the amount determined upon by the Division Chief of the Drainage, Levee and Irrigation District of the Reconstruction Finance Corporation.

Unless all sums required, as above specified, have been received on or before the 30th day of June, 1934, then and in that event said bonds and coupons,

(Testimony of Culbert W. Faries.)

shall upon my written demand be returned to me; provided, however, that no such demand shall be effective in the event that a commitment has been entered into between the District and the Reconstruction Finance Corporation covering the deposit of funds to complete payment for said bonds and coupons as herein provided.

It is understood that the sums above provided to be paid to me shall be net payments and not subject to any expenses incurred in connection with this escrow or to any other fees or charges.

The acceptance of the above described bonds and coupons by the Bank, as escrow holder, shall not obligate the Bank to perform any service other than that of accepting for my account said sum or sums of money, when and if paid within the term herein fixed, or the safe return of said bonds and coupons to me, in the event said sum of money is not received for my account within the time herein specified.

Dated this day of 1934 [140]

.....
.....
Signature of Owner

.....
Address

(Testimony of Culbert W. Faries.)

Another form of escrow instructions was introduced as

PETITIONER'S EXHIBIT NO. 10,

reading as follows:

ESCROW AGREEMENT AND INSTRUCTIONS

Security-First National Bank of Los Angeles
Corporate Trust Department,
Sixth and Spring Streets
Los Angeles, Calif.

I hand you herewith \$....., principal amount of bonds as follows:

Palo Verde Irrigation District (first Issue) bonds numbered (Insert nos. of bonds here).....

Palo Verde Irrigation District (second Issue) bonds numbered (Insert nos. of bonds here).....

Palo Verde Joint Levee District (first issue) bonds numbered (Insert nos. of bonds here).....

Palo Verde Joint Levee District (Second issue) bonds numbered (Insert nos. of bonds here).....

Palo Verde Drainage District bonds numbered (Insert nos. of bonds here).....

accompanied by coupons due.....and subsequent thereto, which you are authorized to deliver to or upon the order of the Board of Trustees of said Palo Verde Irrigation District upon receipt for my account of a sum of money equal to \$232.48 for each \$1,000 principal amount of said bonds, and a proportionately smaller amount for each bond of less than \$1,000, provided, however, that where any

(Testimony of Culbert W. Faries.)

bonds deposited by me do not have attached all unpaid coupons maturing subsequent to October 30, 1929 you are authorized to deduct on account of such missing coupons from the aforesaid sum of money to be paid me the amount determined upon by the Division Chief of the Drainage, Levee and Irrigation Division of the Reconstruction Finance Corporation.

Unless all sums required, as above specified, have been received on or before the 30th day of June, 1934, then and in that event said bonds and coupons, shall upon my written demand be returned to me; provided, however, that no such demand shall be effective in the event that a commitment has been entered into between the District and the Reconstruction Finance Corporation, [141] covering the deposit of funds to complete payment for said bonds and coupons as herein provided.

It is understood that the sums above provided to be paid to me shall be net payments and not subject to any expense incurred in connection with this escrow or to any other fees or charges.

The acceptance of the above described bonds and coupons by the bank, as escrow holder, shall not obligate the bank to perform any service other than that of accepting for my account said sum or sums of money, when and if paid within the time herein fixed, or the safe return of said bonds and coupons to me, in the event said sum of money is not received for my account within the time herein specified.

(Testimony of Culbert W. Faries.)

Dated this day of , 1934

.....

 Signature of Owner

.....
 Address [142]

The witness testified that this form was used by the depositors of the Palo Verde Irrigation District, Palo Verde Joint Levee District, and Palo Verde Drainage District bonds. That by October 31, 1934, \$1,645,000 principal amount of Palo Verde Irrigation District first issue bonds, \$208,000 principal amount of Palo Verde Irrigation District second issue bonds, \$886,951.86 principal amount of Palo Verde Joint Levee District first issue bonds, \$285,378.50 principal amount of Palo Verde Joint Levee District second issue bonds, and \$834,000 principal amount of Palo Verde Drainage District bonds had been received, making a total of \$3,859,330.36.

The witness testified that he signed the two letters, Exhibit 6, and delivered them to the Federal Reserve Bank. On October 31, 1934, the witness completed delivery of the bonds to the Federal Reserve Bank mentioned in Exhibit 6. Thereafter bondholders made further deposits of bonds of the Palo Verde Irrigation District, Palo Verde Joint Levee District, and Palo Verde Drainage District which were handled in the same way as the first deposit of bonds. The Security Bank received nine hundred

(Testimony of Culbert W. Faries.)

and eighty-one thousand eight hundred and nineteen dollars and fifteen cents from the Federal Reserve Bank for the first lot of bonds and the bulk of this money was paid to the depositors of the bonds in accordance with their instructions and a small difference to pay the expenses of the Security Bank and possibly an expense or two of the Irrigation District. The Palo Verde Irrigation District paid money to the bank because there wasn't sufficient left over after payments to the bondholders to meet the expenses. The witness did not remember the exact amount the district paid in a particular case but testified that he did check up on the total amounts received from the district and paid over to the district and further testified that the Security Bank received from the district some 1,450 odd dollars and paid to the district some 560 dollars in connection with the escrow so that there was a balance which the district had furnished of about 950 dollars.

[143]

About 85 per cent or a little over of all the bonds were deposited by one group of men, (the witness not recalling whether the name of the group was the Palo Verde Properties Inc. or the Bondholders' Protective Committee). The disbursement on bonds deposited by this group was made to the order of this group but direct to the individual bondholders. The original and most of the several deliveries of bonds to the Federal Reserve Bank were made for the account of the Security First National Bank and subject to the latter's further instructions.

After the physical delivery of the total of the

(Testimony of Culbert W. Faries.)

bonds a formal delivery was made to the Federal Reserve Bank with the following instruction:

“You are hereby authorized and instructed to use all of the bonds and coupons represented by the above described receipt in accordance with the instructions of the Board of Trustees of the Palo Verde Irrigation District when you are ready and able and willing to pay us the sum of \$981,819.15.”

The bank was instructed by the Board of Trustees of the Palo Verde Irrigation District to deliver the bonds to the Federal Reserve Bank, Los Angeles branch.

The witness identified a resolution which was thereupon introduced in evidence by respondents as their Exhibit A. This Exhibit reads substantially as follows:

RESPONDENTS' EXHIBIT A

Resolution Authorizing Instructions to Security-First National Bank of Los Angeles in the Matter of Closing R. F. C. Loan Escrow.

Whereas, For the purpose of consummating the loan for which Palo Verde Irrigation District heretofore applied to the Reconstruction Finance Corporation, an escrow was opened by this District with Security-First National Bank of Los Angeles, Corporate Trust Department, Trust No. 6070, pursuant to resolution of the Board of Trustees of said District, adopted on April 12th, 1934, and said escrow is now pending and certain bonds issued or assumed

(Testimony of Culbert W. Faries.)

by this District have [144] been deposited in said escrow; and

Whereas, It is expected that said escrow will shortly be consummated and closed;

Now, Therefore, It Is Hereby Resolved by said Board of Trustees that Security-First National Bank of Los Angeles, as holder of said escrow, is hereby instructed to close said escrow as follows:

1. Deliver promissory note, executed by this District, dated February 1, 1930, payable to the Order of D. A. Foley & Co., assigned to Bank of America, for the principal sum of \$4000.00, payable January 2, 1932, and all bonds and coupons thereof of Palo Verde Mutual Water Company, Palo Verde Joint Levee District of Riverside and Imperial Counties, California, Palo Verde Drainage District and Palo Verde Irrigation District, held by said escrowholder at the time of closing said escrow, pursuant to the depositors' instructions, to Federal Reserve Bank of San Francisco, Los Angeles Branch, for the account of Reconstruction Finance Corporation, upon collection from said Federal Reserve Bank, for the account of this District, of a sum equal to \$1000.00 plus 24.81 cents per dollar of the aggregate principal amount of said bonds, less deductions from said aggregate amount for unpaid coupons of said bonds which you do not hold in said escrow, according to schedule thereof attached to this resolution such deductions to be made at the rate of 20.50 cents per dollar of the face value of said undeposited

(Testimony of Culbert W. Faries.)

coupons maturing prior to May 31, 1933, and face value for those maturing thereafter.

2. From the proceeds received from the Federal Reserve Bank pay to Bank of America One Thousand Dollars (\$1000.00) for said \$4000.00 note; also pay to Palo Verde Valley Properties, Inc. a sum equal to Five Dollars (\$5.00) for each Thousand Dollars (\$1000.00) of principal amount of bonds of said three districts delivered by you to said Federal Reserve Bank under these instructions, pursuant to resolutions of this Board heretofore adopted.

Also pay to yourselves the sum of Five Hundred Dollars [145] (\$500.00) covering your escrow fees in said escrow, and the further sum of Forty Dollars (\$40.00), in full of expenses incurred by you in said escrow, including transportation of bonds and printing expense.

Also pay to each depositor of any of said bonds of Palo Verde Mutual Water Company sums computed at the rate of fifty cents (50¢) per dollar of principal value of bonds of said Company deposited by him, and to each depositor of bonds of any of said three districts sums computed at the rate of 23.248 cents per dollar of principal amount of bonds of any of said three districts deposited by him.

3. The officers of this District are hereby directed to deposit in said escrow a check on water toll account for the sum of Five Hundred Forty Dollars (\$540.00), covering said escrow fees and ex-

(Testimony of Culbert W. Faries.)

penses, and a warrant on the County Treasurer for the sum of Six Hundred Eighteen and 08/100 Dollars (\$618.08), said warrant to be used by said escrow-holder so far as necessary to close said escrow under these instructions. Said warrant shall be delivered, in lieu of cash to its face amount, to Palo Verde Valley Properties, Inc., on account of the sums payable to it under these instructions.

4. The Assistant Secretary of the District is hereby directed to file with said escrow-holder a certified copy of this resolution. (Schedules of bonds and certification of O. W. Malmgren).

The original, of which the Exhibit A was a copy, was received by the witness from the Palo Verde Irrigation District.

The disbursement to bondholders on Palo Verde Mutual Water Company bonds was at the rate of 50 cents on the dollar while the disbursement on the bonds of the Palo Verde Drainage District, Palo Verde Joint Levee District, and Palo Verde Irrigation District, was at the rate of 23.248 cents per dollar, but the amounts received by the Federal Reserve Bank was on the basis [146] of 24.81 cents per dollar for the gross amount of all bonds irrespective of whether the bonds delivered were those of the Palo Verde Mutual Water Company, Palo Verde Irrigation District, Palo Verde Joint Levee District, or the Palo Verde Drainage District.

(Testimony of Culbert W. Faries.)

He was also in charge of a trust under which his bank was trustee under the deed of trust establishing the Palo Verde Mutual Water Company bond issue and that the deed of trust roughly covered all the operative irrigation system of the Mutual Water Company and subsequent additions thereto.

R. V. JENSEN

was called as a witness for the petitioner and testified that he was an employee of Anderson-Clayton & Company and affiliated companies and was in charge of production credits for his company over the entire cotton areas in California, Arizona, and Baja California, which cover about 900,000 acres. His company is engaged in the financing of cotton production in irrigated sections, in cotton handling facilities, and in cotton merchandising throughout the entire cotton belt in the South, besides California and Arizona. Ever since and including the season of 1930, excepting 1932, he had been connected with cotton financing in the Palo Verde Valley on behalf of his employer and in the year 1937 he had handled the financing of 40 per cent of the cotton acreage of the Palo Verde Valley. In 1937, cotton production of the Palo Verde Valley had been reduced by 25 per cent because of pests and diseases. On account of these threats the company expects to reduce the acreage in the Valley it will finance in the future.

(Testimony of R. V. Jensen.)

The amount of his company's loans in Palo Verde Irrigation District in the present year amounted to about \$100,000, with a carry-over of old loans amounting to an additional amount of about Five Thousand Dollars, the loans being secured by crop and chattel mortgages. In 1935 the company voluntarily scaled down its overdue loans in the Valley to an average of 10% of the amounts on its books. [147]

In 1936 there were 13,460 acres in cotton in the Palo Verde Valley which produced 7,514 bales of cotton, the cotton and seed together being worth \$76 a bale. In the present season of 1937 there were 14,850 acres in production which had already produced 4,000 bales. The funds advanced to the farmers by his company are used for the purpose of paying water assessments, taxes, stand-by charges, labor, gas, and oil and other expenses incident to producing and harvesting cotton crops, and in some cases for living expenses. His company attempts to pay the farmers' obligations to the district direct. When the crop is produced it is hauled to the gin and his company takes possession of it, as a rule. At the end of the season an account is made with the grower. Only a very small loss was made during 1936 by his company. The back debts which the company scaled down in 1935 were amounts by which the crops produced failed to pay taxes and the expense of growing the crops.

CHARLES H. LEAVINGSWORTH

was called as a witness by the petitioner and testified that he had been a cotton classifier for 26 years. He classified three samples of cotton which were introduced as petitioner's Exhibit 11 for identification as good middling, middling and strict low middling, worth approximately 1 cent per pound over, equal to, and one cent per pound under the New York market price of cotton, respectively.

EDWIN F. WILLIAMS

was called as a witness for the petitioner. It was stipulated by counsel that the testimony of this witness given at a former court hearing should be introduced in evidence by the transcript thereof subject to the objection made by respondents that the testimony was too remote, which objection was taken under advisement and ruling reserved, as petitioner's Exhibit 14. The testimony comprising Exhibit 14 was taken in the District Court of the [148] United States for the Southern District of California, Central Division, "In the Matter of the Application of Palo Verde Irrigation District, an Irrigation District, For a Decree Authorizing Readjustment of Debts" in bankruptcy under Section 80 of the Bankruptcy Act of 1898 heard October 2nd and 3rd, 1935 in which the witness testified that he was 69 years of age and that he had first entered the Palo Verde Valley in 1904. The valley is in the

(Testimony of Edwin F. Williams.)

eastern end of Riverside County with the Colorado River forming the eastern boundary. The valley is some 30 miles north and south and a few miles to some seven miles in width. In 1904 the valley was covered with a jungle growth and there was very little agriculture. There were a few people in the lower end of the valley and they pumped water out of the sloughs and farmed a small acreage. The remains of an irrigation system started by Thomas Blythe in the early 80's were there. The Mutual Water Company was organized in 1908 and this company and the Land and Water Company raised some levees. Expenses were paid at first by direct assessments, but in 1916 a bond issue of five hundred thousand dollars was made by the Mutual Water Company. In 1904 the valley comprised about 60,000 acres of government lands and 42,000 acres known as the Blythe Estate. In 1908 the Blythe estate was purchased by the Palo Verde Land and Water Company and the company began to sell parcels of it. In 1910 a lot of the valley was opened up for settlement by the government. The Mutual Water Company continued to manage the irrigation system but about 1915 the Palo Verde Joint Levee District was formed to levee the valley for protection against floods which were caused by the fact that the river bed was rising year by year.

The rising river bed also caused a rise of the water-table of the valley and required drainage, and a drainage district was formed to provide drainage.

(Testimony of Edwin F. Williams.)

A bond issue of \$850,000 was sold for drainage purposes. The Palo Verde Irrigation District was [149] organized in 1923. The witness had been assessor for the district since 1928 and had been a deputy county assessor since 1927 assessing the Palo Verde Valley for county purposes. In 1922 about 60,000 acres of the valley were flooded and the loss was perhaps about \$1,000,000 and many of the people left the valley.

In 1928 the witness assessed some 24,000 acres at from \$87.50 to \$100 an acre. He assessed another 6,000 acres at from \$52.50 to \$87.50; some 15,000 acres at \$37.50 per acre; and another portion of 15,000 acres at \$25 an acre. At that time he thought it would be possible to eventually put under cultivation some 39,500 acres. In 1929 the total assessed value of the district upon the district assessment roll was about \$4,000,000. The assessment was based upon a scale of \$100 an acre, the maximum, [150] and going down to below \$10 an acre. District assessments were $2\frac{1}{2}$ times the county assessment. There were no delinquencies in Mutual Water Company assessments when the Palo Verde Irrigation District was formed.

The district has water rights which were first acquired by filings made in 1878 and 1879 by Mr. Blythe. These are the earliest rights in point of time on the lower Colorado River in California. The right extends to all the water that the valley can beneficially use for its entire acreage.

(Testimony of Edwin F. Williams.)

The stock of the Mutual Water Company was owned by landowners owning about 42,000 acres of land. Each acre owned was required to have a share of stock in the Mutual Water Company and when bonds were issued in 1923 to take up the stock of the Mutual Water Company each shareholder received some \$27.50 and the total amount was approximately \$1,250,000.

The construction of the Boulder Dam and control of the water in the river should prevent any great floods in the future except flash floods from cloudbursts or something of that kind. The Boulder Dam will also reduce the silt content of the river and therefore decrease the cost of operation of the district, but the elimination of silt will cause the river to scour down raising the problem of getting water into the intake of the district.

Eventually there will be 40,000 acres perhaps in cultivation in the valley. About 25,000 acres are under cultivation now. The total assessed value of farm lands includes improvements but the improvements are assessed very lightly.

It was stipulated that 99.6 per cent of the land in the district had been deeded and conveyed to the district for delinquent district taxes.

After the district is refinanced, the district proposes to sell the land back to the former owners at five cents on the dollar of the assessed valuation of the land. Assessments are [151] made for grammar school bonds and bond interest within the Palo

(Testimony of Edwin F. Williams.)

Verde Irrigation District. It was stipulated that the County of Riverside had certain obligations in the way of bonds which are paid out of taxes in the area of the Palo Verde Irrigation District together with possibly other areas in the county and that the city of Blythe which is situated within the district has issued bonds which are outstanding and unpaid.

Average annual rainfall in the valley is between 2 and 3 inches; sometimes there is practically no rainfall for one or two years.

Summer temperatures very seldom go above 122 degrees.

It was also stipulated that a deposition of R. L. Adams, agricultural economist at the University of California, College of Agriculture, also taken in the former judicial proceeding in the Bankruptcy Court upon notice, on September 26, 1935, be introduced in the proceeding as Exhibit 15. (Both Exhibits 14 and 15 were received in evidence subject to respondents' objections on the ground of remoteness, as well as all other relevant objections.)

R. L. ADAMS,

on deposition

was sworn as a witness and testified that he was a professor of farm management for the College of Agriculture, University of California, and also agricultural economist in the experiment station and

(Deposition of R. L. Adams.)

agricultural economist with the Giannini Foundation, all of the same institution and that he had been working in the field of farm management and agricultural economics in the employ of the University of California since March 1, 1914. He has also worked for the United States Department of Agriculture and the State Department of Agriculture of California. As a part of his work he had made studies of the financial affairs of the Imperial Valley, the Anderson-Cottonwood Irrigation District, Modesto Irrigation District, Turlock Irrigation District, and Fresno Irrigation District. [152]

He first visited the Palo Verde Valley in 1908 or 1909, and subsequently, in May 1931, made an economic study thereof and a couple of years later made a brief survey of conditions, and the last study was made in a portion of the week of September 9th of 1935. Five or six days were spent in the valley at the time of the study of 1931. The principal study at that time was as to the ability of the farmers to pay out on their indebtedness. The sources of information in making the survey were a soil survey of the valley as the basis of acreages of different soil types and alkali contents, the experience of the Federal Land Bank, and the principal source was numerous interviews with individuals in the valley, especially farmers.

A cropping program is likely to be pursued on approximately 30,000 acres in the valley.

For the period 1931 to 1935, the principal crops in the valley were alfalfa, wheat, grain, sorghum, cot-

(Deposition of R. L. Adams.)

ton, a little barley, sudan grass for seed, and there is also a small planting of flax and a small acreage of pecans. Cotton and alfalfa will probably continue to be major crops in the valley and about one-third of the crop area was used for each of those two crops. The quality of the soil and its productiveness have not changed materially in the last four years, but when land is continually cropped to cotton or some other crop some rotation will be necessary.

Taking an average of prices for the years 1910 to 1914, the so-called normal years in agriculture, and the years 1930 to 1934, the so-called depression years, the fair price base to adopt for forecasting the future is: alfalfa hay, \$8.60 a ton; alfalfa seed, field run, 16 cents a pound; wheat, \$1.26 per hundred; grain sorghum, \$1.06 per hundred weight; cotton, 12.8 per pound of lint; cotton-seed, \$22.50 a ton. Forecasting over a period of twenty to thirty years in the future on the basis of 30,000 acres in crops and the foregoing prices, the gross income of the valley would be \$1,189,795 annually. [153]

It was his conclusion that the cost of producing crops, payable out of gross income, will be \$822,750.00. The figures take into consideration all the man labor, seed, irrigation water, county taxes, contract work of threshing, baling, chopping cotton, and other items. In regard to the item of irrigation water, that item includes operation and maintenance figured at \$4 an acre. Bond interest or principal is

(Deposition of R. L. Adams.)

not included in the item of irrigation water. Further, an additional \$150,000 will be paid out of the gross income for the living of the farmer and his family. One hundred twelve thousand five hundred dollars should be assigned to replacement of equipment. Additional amounts may be assigned to be paid out of gross income, such an additional indebtedness, if 5,000 acres is added to the present crop acreage, district costs and expenses, and an amortization Reconstruction Finance Corporation loan of approximately \$1,000,000 at 4 per cent interest. The total item of payments out of gross income would therefore equal \$1,275,917.00. This figure does not take into account the item of control of the Colorado River or the protection of the valley by levees, or river work. His opinion is that a loan of approximately \$1,000,000 is about all that can be reasonably expected for the Palo Verde Irrigation District to sustain. On the figures given the gross income per acre should amount to approximately \$39.33. The cost of producing crops including water toll and county taxes should amount to \$27.42, leaving a difference of \$11.91.

There are approximately 50,000 irrigable acres in the valley according to information collected in May 1931. He did not know if there were 35,000 acres irrigated in 1929. There are approximately 88 odd thousand acres in the district of which 10,000 lie outside of the levees. The difference indicates simply 78,000 irrigable acres but measured by the

(Deposition of R. L. Adams.)

amount of available water the 78,000 acres should be cut down. He did not know anything about the water rights in the district or the amount of water that has been available for irrigation nor the average water duties during the last several years in the valley. There [154] is some evidence that on individual farms and fields there has been excessive use of water. He did not know for how much acreage there would be available water. There are five main types of soils in the valley namely Holtville, Imperial, Rositas, Gila, and Meloland, with several sub-types under each of these types. The crop producing soils are principally Imperial, Holtville, Meloland, and some Rositas. The valley shows approximately 33,356 acres of Hopeville, 18,432 acres of Imperial, 17,792 acres of Rositas, 6,784 acres of Gila, 5,440 of Meloland. The livestock program should have a definite place in the valley. Lamb, sheep, and hog fattening are possibilities.

The district can stand a charge of \$60,000 a year for amortization of its bonded debt except for unforecastible contingencies.

The City of Blythe was not taken into account in the calculation made by the witness.

The valley has a year round growing season based on a choice of crops, there being approximately three months when frost occurs. There is evidence of a movement upon the part of the old S. E. R. A. to purchase land and develop a colony in the valley. Recent increases in business were not taken into con-

(Deposition of R. L. Adams.)

sideration in calculating the forecast of prices. The valley's future depends not only on the better class of farmers that are in there but a gradual increase in that better proportion, both on new lands and on the lands that have already been farmed.

It was stipulated that at the time of the filing of the petition and at the present time there were and are bonds of the County of Riverside, City of Blythe, and of high school and grammar school districts, overlapping the area of the Palo Verde Irrigation District which bonds are payable out of taxes and assessments currently levied upon the lands of those taxing agencies which are [155] within the Palo Verde Irrigation District. The bonds of the City of Blythe are in default. A group of individuals interested in the City of Blythe have subscribed a fund from which the general obligation bonds of the City have been purchased from the former owners at from 29.50 to 75 on the 100 with an average of a shade less than 50 cents on the dollar of principal value, disregarding delinquent interest, and all of these bonds, except one \$1,000 bond, are on deposit in a bank at Blythe awaiting the process of readjustment on that basis. None of the obligations of those taxing agencies are involved in this proceed-

ing or in any other proceeding in which they are being forcibly adjusted.

It was further stipulated that taxes of the City of Blythe have at all times since its organization been collected by the County of Riverside through the regular County assessment channel.

E. F. WILLIAMS

was called as a witness by the petitioner and testified that he had resided in the Palo Verde Valley since 1908 and that he has been assessor of the Palo Verde Irrigation District since 1927. Referring to the year 1930 and to the fact that on May 1, 1930, the Palo Verde Irrigation District defaulted upon the payment of principal and interest on bonds due on that date. The Irrigation District trustees appointed a committee to try to get some federal aid for the district. The committee met with Dr. Mead, Commissioner of Reclamation of the Interior Department, and other officials, at Yuma, Arizona, and upon their suggestions the district was included in a survey of some 17 districts made by the Federal government.

Pages 39, 234, 235, and 236 of a document entitled "Economic Survey of Certain Federal and Private Irrigation Projects, Hearings before the Committee on Irrigation and Reclamation, House of Representatives, Seventy-first Congress, Second Session" was introduced as petitioner's Exhibit 16 for the

(Testimony of E. F. Williams.)

limited purpose of [156] showing good faith on the part of petitioner in that steps were taken by the landowners of the district to inform themselves as to their economic condition and as to means by which they might emerge from their predicament.

The bill for the relief of the 17 projects never passed Congress. The committee also met with Congressman Swing and he advised attempting a separate bill for relief. Preparatory to proceedings of Congress on such a bill a fact-finding committee of six or seven persons of the Palo Verde Valley investigated the financial condition of the Valley and the earning capacity of the lands in the District. It sent out a questionnaire to the farmers throughout the valley trying to see what they could do in future years by building up the soil and having a crop rotation plan that would keep up the fertility. Approximately 35 to 40 persons were investigated by such a questionnaire. They furnished detailed data as to what their crops were and what they received for them. The University of California sent Professor Adams from Berkeley to make a report on the valley. He made an investigation and report. Also a bondholders protective committee had been organized at the suggestion of the district and it sent an engineer to make a survey of the valley. A committee of 4 went to Sacramento and met with Mr. Meeks, Director of Public Works, and State Engineer Hyatt, and they made a report to the Secretary of the Interior regarding the valley. The report con-

(Testimony of E. F. Williams.)

sisted principally of a memorandum made by Ray F. Carberry to Mr. Hyatt, State Engineer. Mr. Carberry's report was introduced in evidence as petitioner's Exhibit 17.

The witness and other persons appeared before the House Committee on Irrigation and Reclamation when a hearing was held upon the bill introduced by Congressman Swing. The bill did not pass Congress. The bill, provided for the making by the government of a grant of one million dollars at the rate of \$200,000 annually for five years beginning with the year 1932 as reimbursement of [157] of past expenditures by the district for flood protection. This money was to be paid to the bondholders. It also provided for the appropriation of additional sums, provided no part of the money should be appropriated until an agreement satisfactory with the Secretary of the Interior was entered into between the holders of at least 85 per cent of the outstanding bonded indebtedness of the district, and the district, whereby said holders consented to the reduction of the indebtedness to a sum which the Secretary of the Interior finds is not in excess of the district's ability to pay. Subject to respondents' objection that the evidence was too remote and immaterial it was stipulated that the house committee made a report recommending passage of the bill and that the Secretary of the Interior and Commissioner of Reclamation recommended the same thing to the House Committee.

(Testimony of E. F. Williams.)

The witness further testified that drainage ditches in the valley consist of many miles of open deep dug ditches constructed about 1921. The ditches haven't been cleaned in ten years and are obstructed and have ceased to function. The ground water table is rising but it has not affected conditions greatly as yet. The land has deteriorated by reason of high water table.

The aggregate assessed value of the land in the district is \$3,000,000 and some odd thousand dollars as of 1937, including improvements. The assessment of the City of Blythe raises the aggregate about \$100,000.

It was stipulated that the Bondholders' Committee was in existence from approximately May or June 1930 to the early part or middle of 1934 and during the four years, it succeeded in accumulating approximately 87 per cent in principal value of all the bonds of the three districts but not including any of the Mutual Water Company bonds, which it did not handle. The investigating committees mentioned by Mr. Williams were usually appointed by the district trustees. [158]

Lands which the district has sold lately are those lands which have been tax deeded to the district. They sold at public auction after an initial application has been obtained from somebody who wants to buy. In the last year 4,500 acres have been sold for \$35,000, an average of \$8.35 per acre.

LEWIS A. HAUSER

was called as a witness for petitioner and testified that he is connected with Hauser Stock Farms, a corporation composed of members of his family, and the corporation in 1913 acquired a ranch in the Palo Verde Valley of about 2,000 acres which at the present time is partly improved and partly unimproved. He became a member of the board of directors of Palo Verde Irrigation District in 1928 and was made president of the board in 1929 and served as such until the last October. At the present time he is vice-president of the Palo Verde Irrigation District.

The fact-finding committee, of which Mr. Williams was chief, was appointed by the district board. Bondholders were contacted in about 1930 and the district requested the organization of a bondholders' committee, and the committee was appointed consisting of representatives of several banks and other owners of bonds and had its headquarters in Los Angeles. The district had several meetings with the group representing bondholders. The primary object at that time was to get the district bonds under a certain committee where the district could negotiate with them for settlement. Following the failure in 1931 to secure a million dollar grant from Congress, the District continued to negotiate with the Bondholders' Committee toward compensating them for their bonds. There was originated from the Bondholders' Committee a lease known as the Florence Clark Lease.

(Testimony of Lewis A. Hauser.)

It was stipulated that there was finally arrived at on August 18, 1932, a document which was executed by the bondholders through Florence Clark, an individual, and executed by the district [159] which provided that for five years the district should lease to the bondholders all lands then tax-deeded and all lands which were to be tax deeded in the five years and that the bondholders were required to sublease their land back to the former owners of the land upon certain terms. The lease contained an option in favor of the bondholders' corporation to transfer to the district for cancellation all of the bonds (\$4,174,000) for cancellation, upon the district granting to the bondholders all of the tax-deeded land subject to certain conditions, the chief one being that the bondholders would be required to enter into agreements of resale of any individual tract to the former owner should the latter desire to repurchase it upon specific terms or prices based upon the assessed valuation for 1929 and upon 20-year payments with interest at 5 per cent; and that within the five years the bondholders should get in and surrender all of the bonds. The effect of the instrument would have been to repay to the bondholders a total sum amounting to about 40 per cent of the principal face value of their bonds disregarding interest, such amount being repaid over a period of 20 years as the lands might be resold. (End of stipulation.)

(Testimony of Lewis A. Hauser.)

The Bondholders' Committee then went into possession of the tax-deeded land and executed numerous subleases to former owners. The lease arrangement was in effect from August 18, 1932, until October 31, 1934.

It was stipulated that the district filed an application in July, 1933, with the Reconstruction Finance Corporation for a loan under the terms of Section 36 of the Farm Mortgage Act of 1933. The application requested a loan of \$1,140,000 and was followed by an economic appraisal of the district by an appraiser appointed by the Reconstruction Finance Corporation. (End of stipulation.)

The witness went to Washington in the months of December and January of 1933 and 1934 and had a discussion with the Chief [160] of the Division of Drainage of the Reconstruction Finance Corporation, Emil Schram, and found that the application as filed by the district was rejected. But he furnished additional information to Mr. Schram and on March 1, 1934, the application was approved. A copy of the resolution approving the application was introduced in evidence as

(Testimony of Lewis A. Hauser.)

PETITIONER'S EXHIBIT No. 18

reading as follows:

MEETING OF RECONSTRUCTION FINANCE CORPORATION. RESOLUTION. RE. PALO VERDE IRRIGATION DISTRICT. [161]

Docket No. Ref. 92

Whereas Palo Verde Irrigation District, of Blythe, California, a political subdivision duly organized under the laws of the State of California (herein called the "District"), has applied to this Corporation for a loan to enable it to reduce and refinance its outstanding indebtedness, pursuant to the provisions of Section 36, Part 4, of the Emergency Farm Mortgage Act of 1933, as amended; and

Whereas the District has represented that prior to May 12, 1933, it had completed a project devoted chiefly to the improvement of lands for agricultural purposes and that in connection with such project it had incurred and now has outstanding indebtedness in approximately the following amounts:

Nature of Debt	Principal Amount	Interest Unpaid on May 31, 1933	Total Outstanding
Bonds	\$4,174,330.00	\$731,432.00	\$4,905,762.00
Note of Bank of America at Los Angeles.....	4,000.00		4,000.00
	<u>\$4,178,330.00</u>	<u>\$731,432.00</u>	<u>\$4,909,762.00</u>

(Testimony of Lewis A. Hauser.)

Such indebtedness, together with all interest accrued and unpaid thereon as of May 31, 1933, is hereinafter referred to as the "Existing Debt" and the bonds and coupons or other instruments evidencing such Debt are hereinafter referred to as the "Old Securities." In addition to the above described indebtedness the District has outstanding a note for \$90,000.00 held by the Palo Verde Mutual Water Company and secured notes aggregating \$7,010.00 held by the Ruth Dredger Manufacturing Corporation. It is represented that the indebtedness due to the Palo Verde Mutual Water Company is not to be refinanced with the proceeds of the loan authorized by this resolution, but upon completion of this proposed refinancing is to be cancelled by the Palo Verde Mutual Water Company. The notes held by the Ruth Dredger Manufacturing Corporation seem to be sufficiently secured and are not to be [162] refinanced with the proceeds of the loan hereby authorized. Accordingly, the term "Existing Debt" as used in this resolution does not include the indebtedness due to the Palo Verde Mutual Water Company and to the Ruth Dredger Manufacturing Corporation; and

Whereas this Corporation has caused an appraisal to be made of the property securing or underlying the Old Securities and has determined that the project of the District is economically sound, and now desires to make a loan to enable said District to reduce and refinance all or by far the greater

(Testimony of Lewis A. Hauser.)

part of such Existing Debt on the basis of payments to holders of its Old Securities, or to Committees or other representatives of such holders, at the rates herein set forth,

Now, Therefore, Be It Resolved, that there is hereby authorized a loan of not exceeding \$1,039,-423.00, to or for the benefit of said District, subject, however, to the following terms and conditions:

1. Time Limits. All loans hereunder shall be disbursed on or before June 30, 1934, but the Chief or Acting Chief of the Drainage, Levee and Irrigation Division (hereinafter referred to as the "Division Chief"), may fix any shorter time within which such loans must be disbursed.

2. Deposit of Old Securities. The holders of Old Securities who join in this plan of refinancing shall deposit the same with one or more committees, depositaries, or other responsible representatives satisfactory to them, which shall consent to the plan of refinancing contemplated by this resolution (hereinafter referred to as "Owners' Agents"), or shall otherwise give this Corporation satisfactory assurances that the Old Securities held by them will be subjected to such plan, in which latter case they are hereinafter referred to as "consenting owners." Old Securities deposited with Owners' Agents or held by Consenting Owners are hereinafter referred to as "Deposited Securities". Each Owners' Agent shall be duly authorized to receive all

(Testimony of Lewis A. Hauser.)

moneys payable to the holders of Old Securities deposited with it, to surrender the Deposited Securities and do all other acts and things necessary to enable the District to effect a reduction in its indebtedness to the extent and in the manner contemplated by this resolution.

No loan shall be made hereunder (a) unless all of the Old Securities shall be thus deposited or (b) unless the Division Chief shall deem that such a large proportion of such securities has been deposited as will [163] satisfactorily accomplish the purposes of this Corporation in authorizing this loan. In this latter event, as hereinafter more fully provided, lesser amounts may be payable on the Deposited Securities than in case all of the Old Securities are deposited.

3. Payments on Deposited Securities. The amounts to be loaned by this Corporation hereunder shall be sufficient to provide for payments of different amounts of money on account of the Deposited Securities, as follows:

(a) 24.81 cents for each dollar of principal amount of bonds, provided that all of the bonds shall have been deposited at the time when this Corporation makes its first loan hereunder.

(b) 24.81 cents for each dollar of principal amount of such bonds, in case the District is unable to procure the deposit of all of such

(Testimony of Lewis A. Hauser.)

bonds, but shall procure the deposit of such large proportion thereof as shall be required or approved by the Division Chief.

(c) 22.81 cents for each dollar of principal amount of bonds that are not thus deposited at the time when the first loan is made pursuant to the provisions of subparagraph (b) of this section, but which are subsequently deposited within such time or times, as may be fixed or approved by the Division Chief.

(d) 25 cents for each dollar of principal amount of the \$4,000 note held by the Bank of America of Los Angeles, provided that said note is surrendered at the time when this Corporation makes its first loan hereunder.

Each Deposited Security shall be accompanied by such of its appurtenant coupons, if any, representing interest accrued on or before May 31, 1933, as may be required by the Division Chief and shall also be accompanied by all coupons representing interest payable thereon after such date. In case any such security shall not be accompanied by any coupon required by the Division Chief representing interest accrued on or before the aforesaid date, the amount payable thereon shall be reduced in such amount as may be determined by the Division Chief, but such reduction shall not be less than 20.50 cents for each dollar of the face amount of such missing

(Testimony of Lewis A. Hauser.)

coupons. In case any Old Securities shall be presented with any coupons missing that mature after the aforesaid date, the Division Chief may refuse to accept the same, or if such security is accepted there shall be deducted from the amount to be paid on account thereof a sum equal to the full face amount of such missing coupons.

In case any Old Security shall be deposited without being accompanied by all the required coupons and if because of such missing coupons reductions are made in the amounts payable on account of such Old Security, but thereafter such missing coupons are deposited within such time or times as may be prescribed or approved by the Division Chief, there shall be paid on account of such coupons subsequently deposited amounts exactly equal to the sums which were originally deducted from the sum paid on account of such Old Security to which such coupons appertained.

4. Disposition of Balance. Any balance of the loan hereby authorized that is not required for making such payments as aforesaid on account of Deposited Securities may be applied in the sole [164] discretion of and as may be approved by the Division Chief to either of the following purposes:

(a) To the payment to such persons as the Division Chief may designate of costs in-

(Testimony of Lewis A. Hauser.)

curred in connection with this refinancing, for fees of municipal bond counsel, printing and issuance of New Bonds, or appraisal of the lands within the District, but only in such amounts as may be approved by the Division Chief.

(b) To payment of any sums that it may prove advisable to advance in order to avoid the necessity for issuance of any New Bonds having a principal amount of less than \$1,000.

In addition to the maximum amount of the loan authorized above, the Treasurer of this Corporation is also authorized to advance such sums as may be approved by the Division Chief for payment of any interest accrued for the then current interest period on any bonds or securities acquired by this Corporation and any other sums required for interest adjustments.

5. How Loans are to be Effected. Unless the Division Chief shall direct otherwise, loans made hereunder shall be conditioned upon the authorization by the District of new 4% bonds (herein referred to as "New Bonds") having a principal amount sufficient in the opinion of said Division Chief and Counsel for this Corporation to insure completion of the proposed refinancing. Such loans shall be effected in any of the following ways as said Division Chief and Counsel shall direct:

(Testimony of Lewis A. Hauser.)

(a) If the Division Chief shall deem it advisable to have the deposited securities cancelled immediately upon issuance of the New Bonds, such loans may be advanced directly to the District or to the Owners' Agents and consenting owners at the time of the surrender and cancellation of the Deposited Securities but only upon receipt by this Corporation of New Bonds having a principal amount equal to the amount of the loans it has made hereunder.

(b) In the event that the Division Chief shall deem it necessary to keep any or all of the Deposited Securities alive for a greater or lesser length of time in order to maintain a parity of rights as between the holders of the Deposited Securities and the rights of the holders of Old Securities who did not deposit same, or for any other purpose, then such loans may be made directly to the Owners' Agents and consenting owners. All such loans shall be represented by the notes of such consenting owners or Owners' Agents and the Deposited Securities shall be pledged as security therefor. When executed by Owners' Agents, such notes may provide that the makers thereof shall not be individually liable thereon. Each such note shall give this Corporation authority at any time to surrender all or any part of the pledged securi-

(Testimony of Lewis A. Hauser.)

ties to the District in exchange for New Bonds and shall also authorize this Corporation, upon first having requested payment of such note and payment having been refused, to purchase the pledged securities at such sale as may be provided for by such note.

Each such note shall bear interest at the rate of 4% per [165] annum, payable as nearly as practicable on the interest payment dates borne by the major part of the Deposited Securities. The District shall not be a party to such note but in case it shall pay the interest thereon promptly when and as the same falls due, the Corporation will accept such interest payments and will thereupon give credit to the District for payment of the interest for such period on all the Deposited Securities at that time held by this Corporation, it being expressly provided, however, that nothing contained in this resolution shall be deemed to limit the right of this Corporation to enforce full payment of interest or principal on Deposited Securities it may hold, at any time when it may deem it advisable to do so in order to protect its rights as holder of the Deposited Securities against any rights claimed by the holders of Old Securities that have not been deposited.

As a condition precedent to the making of any such loan in the manner provided in this

(Testimony of Lewis A. Hauser.)

subparagraph, the Division Chief and Counsel for this Corporation may require the District to execute or agree to execute such amount of its New 4% Bonds as they may specify and when executed, to deliver such Bonds to a trustee or custodian satisfactory to this Corporation. Such trustee or other custodian shall be irrevocably bound to exchange such New Bonds for the Deposited Securities held by this Corporation at any time when it shall so request, but the New Bonds thus to be delivered to this Corporation shall not exceed in principal amount the sums then owed to this Corporation on account of the advances which it has made hereunder, together with any interest then accrued and unpaid thereon.

(c) In the event that Counsel for this Corporation shall have any doubt as to the legal authority of the District to issue New Bonds in exchange for some part or some class of the Deposited Securities, provision shall be made for delivery to this Corporation of New Bonds having a principal amount equal to the sums owed to this Corporation on account of the advances it has made or it is then making hereunder, upon the surrender and cancellation of only such part of the Deposited Securities as such Counsel deems the District can lawfully accept in exchange for New

(Testimony of Lewis A. Hauser.)

Bonds. Promptly after effecting any such exchange of a part of the Deposited Securities for New Bonds, the Treasurer of this Corporation shall surrender or assign to the District without charge all of the Deposited Securities then held by this Corporation that were not previously exchanged for New Bonds.

6. Municipal Bond Counsel. In cases where New Bonds are to be issued, the District at its own expense shall employ nationally recognized municipal bond counsel satisfactory to and approved in writing by Counsel for this Corporation and shall cause such bond counsel to prepare resolutions and proceedings authorizing an issue of New Bonds bearing 4% interest, in such aggregate principal amount as may be necessary for the purpose of the proposed refinancing. Such resolutions and bonds shall comply in all respects with the provisions of Section 36, Part 4 of the Emergency Farm Mortgage Act of 1933, as amended. Such counsel shall submit drafts of such resolutions and proceedings to Counsel for this Corporation and secure their approval thereof before their adoption and upon the delivery of such New Bonds shall give this Corporation such satisfactory preliminary and final opinions as to the validity thereof [166] and the security therefor as Counsel for this Corporation may require.

(Testimony of Lewis A. Hauser.)

The District shall also furnish, at its own expense, such opinion or opinions of municipal bond counsel as may be required by and be satisfactory to Counsel for this Corporation with respect to the validity of and security for any Old Securities pledged as collateral for notes taken by this Corporation or otherwise acquired by it.

7. Date, Maturities and Interest of New Bonds. Such New Bonds shall bear such date as shall be satisfactory to Counsel for this Corporation. No part of the principal thereof shall mature during the first three (3) years after their date and such bonds shall mature thereafter in annual installments over a period of thirty (30) years, commencing at the end of the fourth (4th) year from the date they bear according to a maturity schedule satisfactory to the Division Chief. If the District may legally do so, such annual maturities, so far as practicable, shall be such that the totals of the sums payable for interest and for the retirement of bonds shall be approximately the same in each year during which there is a maturity. Interest on New Bonds is to be paid semi-annually unless the Division Chief shall otherwise direct.

8. Covenants of the District. No loan shall be made upon the terms of this resolution until after the District shall have adopted resolutions

(Testimony of Lewis A. Hauser.)

or otherwise have entered into satisfactory agreements providing that so long as any of the New Bonds or any of the Old Securities pledged with or acquired by this Corporation remain outstanding.

(a) Statutory Covenants.—The District will not issue any other bonds having security similar to that of the New Bonds or of the Old Securities pledged with or acquired by this Corporation except with the consent of this Corporation; that, in so far as it lawfully may, the District will pay to this Corporation an amount equal to the amount by which the assessments, taxes, or other charges collected by the District, exceed the costs of operation and maintenance of the project and maturities of interest and principal on its outstanding obligations, and that the District will reduce, in so far as it lawfully may, the annual taxes, assessments and other charges imposed by it for or on account of the project by an amount proportional to the reduction in the corresponding annual requirements for principal and interest of its outstanding indebtedness by reason of the operation of Section 36, Part 4 of the Emergency Farm Mortgage Act of 1933, as amended.

(b) Cash Operating Basis.—In the period prior to the first maturity on such New Bonds, or in case no New Bonds shall be issued, then

(Testimony of Lewis A. Hauser.)

in the period of three years after the first loan shall be made hereunder (or such longer period as may be fixed by the Division Chief) the District will cause to be levied and collected sufficient assessments, taxes, or other charges to pay all of its operating costs for such period, all tax anticipation obligations of every kind which it then has outstanding and all other indebtedness of the District which is then due and payable or becomes due and payable during such period, (excepting only obligations on Old Securities which are then pledged to or held by this Corporation), and in addition thereto, to leave the District at the end of such period with [167] sufficient cash on hand to pay all obligations which it should meet before the time when its next assessments or taxes become payable to the end that after the expiration of such period the District will be operated on a cash basis with no tax anticipation warrants, notes or other like obligations then outstanding. After the date when the first loan is made hereunder, the District will not incur any indebtedness of any kind unless it can pay such indebtedness at the time due from cash on hand or which it will have on hand at such time from its normal sources of revenue and it will not issue any tax anticipation warrants, notes or other obligations of any kind without first se-

(Testimony of Lewis A. Hauser.)

curing the written consent of this Corporation.

(c) Notice of Meetings.—The District will give this Corporation ample notice of any meeting of its governing body at which any matters of importance are to be acted upon, accompanied by a brief statement of the nature of the matters to be considered at such meeting, and this Corporation shall have the right to have such meeting attended by any authorized representative.

(d) Physical Conditions.—At the end of each six months' period the District will furnish this Corporation with a statement as to the physical condition of all properties owned or maintained by the District, which statement shall be signed by two of its executive officers and by the District Engineer, if it has such an employee.

(e) Annual Budget—Reserve for Interest.—In each year the District will prepare an estimate of the amounts which it will be required to pay out during each month of the following year, a statement of the cash it then has on hand, and an estimate of the cash it will receive during each month of the next year. Such estimates, particularly during the earlier years, shall provide for building up such suitable reserve as may be required by this Corporation for payment of principal and

(Testimony of Lewis A. Hauser.)

interest in bad years. Such estimates shall be submitted to this Corporation within 60 days prior to the date when the rate or rates of assessment are fixed in each year and the District agrees that in levying taxes or assessments for the following year, it will comply with all reasonable suggestions or requests made to it by this Corporation in connection therewith.

(f) Report on Assessments Levied.— Promptly after the levy of any assessments or taxes, the District will notify this Corporation of the amounts of such taxes or assessments, showing separately the amounts levied for each of its funds.

(g) Annual Reports.— Promptly upon the making of any audit of the business of the District for any year pursuant to the terms of any statute, rule or regulation applicable to such District, it will furnish this Corporation with true copies of such audit reports.

In the event that such reports shall fail to show all receipts and disbursements of the District for the preceding year, including a separate statement of all sales of lands owned by the District, the District will, within 30 days after the close of each of its fiscal years, furnish the Corporation true and accurate reports [168] thereof. The District will also furnish this Corporation with all such other

(Testimony of Lewis A. Hauser.)

reports, as it may from time to time request in writing.

Within 30 days after the close of each of its fiscal years, the District will also give the Corporation a statement giving the name of each landowner within the District who has failed to pay any District taxes or assessments payable within the prior year, a brief description of the land subject to such taxes or assessments and a brief statement of what steps have been taken by the District or others to enforce collections thereof.

(h) Attorney for District.—In the event that the Corporation shall so request, the District at its own expense will engage any responsible attorney or attorneys designated by this Corporation and shall confer upon such attorneys full power and authority to enforce collections of any delinquent taxes or for any other purpose.

(i) Litigation. — The District shall promptly notify this Corporation of any suit or litigation which may be instituted against it.

(j) Access to Records.—The District will at all times give the Corporation full access to and copies of all records, reports and files of the District and its governing authority.

(k) Successor.—All resolutions and agreements by the District shall provide that any

(Testimony of Lewis A. Hauser.)

consents that may be given by and any rights thereby conferred upon this Corporation may be exercised by any successor to this Corporation designated by Act of Congress or by any Department of the United States Government or any corporation wholly owned by it, or by any person holding responsible office under the United States Government that may at any time be designated for that purpose by this Corporation.

9. Other Conditions Precedent. This Corporation shall be under no obligation to make any loans pursuant to this resolution unless and until the following conditions have been complied with to the satisfaction of the Division Chief:

(a) Assessments—Unless the resolutions authorizing the New Bonds shall contain satisfactory covenants that the District will at all times levy and collect sufficient assessments which together with other charges shall be sufficient to pay all expenses of operating, maintaining and repairing its works, all sums necessary for payment of interest and principal on the bonds and any other indebtedness at any time owed by the District, plus such additional amounts the Division Chief and Counsel for this Corporation may deem necessary for assurance against delinquencies in payment of taxes, and unless in addition

(Testimony of Lewis A. Hauser.)

thereto the District shall furnish this Corporation with such assurances as may be required by the Division Chief and its Counsel that so long as any of the bonds remain outstanding such assessments cannot or will not be reduced below the amounts above required by any action of the California Districts Securities Commission or by any other governmental officer or board.

(b) Cancellation of Note—Unless before or at the time of making the first such loan the District shall have procured the cancellation and surrender of the \$90,000.00 note, hereinbefore referred to, held by the Palo Verde [169] Mutual Water Company.

(c) Reassessments—Unless the District shall have complied to the satisfaction of the Division Chief with any requirement he may impose for reassessment of the benefits upon the lands within such District and with any requirements that the Division Chief may impose in connection with the adjustment or collection of taxes or assessments that are now delinquent.

(d) Exclusion of Lands—Unless the District shall have complied to the satisfaction of the Division Chief with any requirements he may impose for the exclusion of lands from the District which he deems unproductive or

(Testimony of Lewis A. Hauser.)

for other reasons considers should not be included in the District.

(e) Disbursement of Monies—Committee Expenses—Unless the Division Chief is satisfied that the monies to be loaned will be equitably distributed to and among the owners of the Deposited Securities, in proportion to the loan value of the securities they have respectively deposited. The Owners' Agents shall submit to the Division Chief such statements of their expenses and of the compensation which they propose to pay to depositaries, committee members and others, as he may require. If the Division Chief shall notify such Agents in writing that he disapproves of any such expenditures and if such Agents fail to procure such reductions in said charges as he may require, the aforesaid loan shall not be consummated.

(f) Legal Proceedings—Unless Counsel for this Corporation and the Division Chief shall be satisfied with all resolutions and proceedings incidental to the authorization and issue of any New Bonds and the Deposited Securities, with the security therefor and with all proceedings in connection with the acquisition of such obligations by this Corporation the pledging of Deposited Securities to this Corporation, the exchange of New Bonds

(Testimony of Lewis A. Hauser.)

therefor and the Cancellation of Old Securities.

(g) Representations—If any representation or statement made to this Corporation in the application for this loan or any supplement or amendment thereof, or otherwise, shall be found to be incorrect or incomplete in any material respect.

(h) Financial and Physical Conditions—If, in the judgment of the Division Chief, there shall have been any material change in the financial condition of the District or in the physical condition of its properties as theretofore represented to this Corporation.

(i) Opinion of Counsel—Unless Counsel for this Corporation shall be satisfied with all opinions rendered by municipal bond counsel as to the validity of and security for, the Deposited Securities and the New Bonds.

(j) Satisfactory Performance—Unless all terms and conditions of this resolution and of Section 36, Part 4 of the Emergency Farm Mortgage Act of 1933, as amended, shall have been complied with to the satisfaction of the Division Chief and of Counsel for this Corporation. [170]

Further Resolved, that if the Division Chief shall so request, Counsel for the Corporation shall prepare any contracts or agreements not inconsistent with

(Testimony of Lewis A. Hauser.)

this resolution, setting forth the terms and conditions under which the aforesaid loans, advances or exchanges are to be effected and when any such contracts or agreements shall have been approved by the Division Chief, and by Counsel designated for that purpose by the General Counsel for this Corporation, the Treasurer of this Corporation is authorized and directed to execute the same in the name and on behalf of this Corporation.

Further Resolved, that when said District, Owners' Agents and Consenting Owners have complied with the provisions, terms and conditions of these resolutions and of any contracts that may have been executed by the Corporation in this matter to the satisfaction of the Division Chief and of the designated counsel for this Corporation, the Treasurer of this Corporation is authorized and directed to execute all such instruments, make all loans, payments and exchanges of securities and take any other action so approved by the Division Chief and by said Counsel.

Further Resolved, that the Secretary of this Corporation is hereby authorized and directed to forward a certified copy of these resolutions to the District.

I, G. R. Cooksey, Secretary of the Reconstruction Finance Corporation, do hereby certify that the foregoing is a true and correct copy of the resolutions of its Executive Committee duly adopted at a meeting thereof, regularly convened and held on

(Testimony of Lewis A. Hauser.)

the 1st day of March 1934, at which a quorum was present and acting throughout.

In Witness Whereof I have hereunto set my hand and the seal of this Corporation this 5th day of March, 1934.

[Seal] (Signed) G. R. COOKSEY,
Secretary. [171]

It was further stipulated that following the announcement of the resolution, the district board called for an election of the voters of the district upon a refunding bond issue of \$1,039,044, being the amount allowed in the resolution of the Reconstruction Finance Corporation. The bond election was held on June 15, 1934, and was carried. Throughout the summer of 1934 the district in aid of the Bondholders' Committee, which by that time had organized a private corporation known as Palo Verde Valley Properties, Inc., and which had caused the member bondholders to transfer their bonds to that corporation in exchange for stock of the corporation, pursued an effort to obtain the deposit of additional bonds by bondholders who were not members of the Committee. It was arranged that the Mutual Water Company bondholders' should receive 50 cents on the dollar for their bonds, that the holders of the bonds of the three districts should allow the difference between 25 cents and 50 cents, approximately, upon the \$170,000 to be deducted

(Testimony of Lewis A. Hauser.)

from what they should receive, so that the net of bondholders of the districts after that deduction should amount to 23.248 cents per dollar of principal. The Mutual Water Company bondholders held a private mortgage on the water system and claimed a preferred position. Approach was made to the Reconstruction Finance Corporation to change the resolution of March 1, 1934, providing for a flat payment of 24.81 cents per dollar for all the bonds, but the Reconstruction Finance Corporation refused to make that modification.

As the outcome of the negotiation all bonds were deposited in escrow with the Security Bank under the two types of instructions to which Mr. Faries testified. The Reconstruction Finance Corporation, when the percentage of bonds approximated 94 per cent, determined to acquire the bonds in the manner which has been testified to by Mr. Meyer and on October 31, 1934, the Reconstruction Finance Corporation made disbursement.

Thereafter the district continued its efforts to secure [172] additional bonds to be deposited with the result that 96.76 per cent of all the bonds are in the possession of the Reconstruction Finance Corporation. As a condition to the deposit of 87 per cent of the bonds held by the Palo Verde Valley Properties, Inc., an agreement was made between the district and that corporation, which had succeeded by assignment to the so-called Florence Clark lease, whereby that lease was cancelled and ter-

(Testimony of Lewis A. Hauser.)

minated and the district assumed a small obligation, the witness thinking it was settled finally for \$4,000, in favor of an agent of that corporation, whereupon the district resumed possession and control of its tax-deeded lands.

Also as a preliminary to the final disbursement by the Reconstruction Finance Corporation of approximately a million dollars or a little less, two certain agreements were executed between the Reconstruction Finance Corporation and the district both under date of August 7, 1934. The first agreement was introduced in evidence as petitioner's Exhibit 19, and it was stipulated that while it was dated August 7, 1934, it was authorized by resolution of the District board adopted on July 24, 1934, executed on August 7, 1934, and delivered to the Reconstruction Finance Corporation on August 11, 1934. Exhibit 19 is as follows:

PETITIONER'S EXHIBIT No. 19

Copy of Agreement from Minutes of Adjourned Meeting of the Board of Trustees of the Palo Verde Irrigation District of July 24, 1934.

AGREEMENT

This Agreement made as of the 7th day of August, 1934, by and between Palo Verde Irrigation District, organized under the laws of the State of California, hereinafter called "the District", and

(Testimony of Lewis A. Hauser.)

Reconstruction Finance Corporation, an agency of the United States of America, hereinafter called "R.F.C.":

Witnesseth:

Whereas, the Executive Committee of the R. F. C. duly adopted a resolution on March 1, 1934, approving a loan to the District in the total sum of \$1,039,423 under a plan of refunding the in- [173] debtedness of said District, including bonds assumed by said District, in the principal sum of \$4,178,330.00, together with interest unpaid on May 31, 1933 in the amount of \$731,432.00; and

Whereas, the District by resolutions adopted by its board of trustees on April 17, 1934, and May 1, 1934 duly accepted and approved said plan of refunding the outstanding indebtedness of said District including bonds assumed by said District and duly accepted and approved the terms, conditions, covenants and promises set forth in said resolution of R. F. C.; and

Whereas, the District has submitted to its electors at an election duly and regularly called and held on the 4th day of June, 1934, the proposition of entering into and carrying out a contract with the R. F. C. for a loan by said R. F. C. to the District in the amount of \$1,039,423.00 for the purpose of refunding the indebtedness of the District including the bonds assumed by the District and approving the terms and conditions of said refunding plan and

(Testimony of Lewis A. Hauser.)

authorizing the issuance of refunding bonds in the principal sum of \$1,039,423.00; and

Whereas, more than two-thirds of the votes cast for and against said proposition at said election held on June 4, 1934 were cast in favor of said proposition and said proposition has therefore been duly approved by the electors of the District; and

Whereas, said refunding plan has further been submitted to the California Districts Securities Commission of the State of California and said California Districts Securities Commission has heretofore by orders dated May 4, 1934, and July 13, 1934 approved said refunding plan and authorized the issuance of refunding bonds in the principal amount of \$1,039,423.00 to be dated and to mature and to bear interest as hereinafter more fully stated and authorizing the District to enter into an agreement with the R. F. C. covering the terms and conditions of said loan; and

Whereas, all acts, conditions and things required to exist, happen or be performed precedent to the entering into and execution of this agreement by the District have heretofore existed, happened and been performed,

Now, Therefore, it is hereby mutually covenanted and agreed as follows:

1. That R. F. C. agrees to loan an amount not to exceed \$1,039,423.00 to or for the benefit of said District in accordance with and subject to the terms and conditions more fully specified in said resolu-

(Testimony of Lewis A. Hauser.)

tion of the R. F. C. dated March 1, 1934, but in the event that any of said refunding bonds are sold to purchasers other than R. F. C. the principal amount of such refunding bonds which R. F. C. is obligated to purchase shall be correspondingly reduced.

2. That the District agrees to issue or cause to be issued and to deliver to R. F. C. or its order, refunding bonds payable to bearer having a total principal amount equal to the amount so loaned by R. F. C. That said refunding bonds shall be dated July 1, 1934, shall consist of 1050 bonds numbered 1 to 1050, inclusive; shall bear interest at the rate of four per cent per annum payable semi-annually on January 1st and July 1st; shall be designated "Third Issue of Bonds (Refunding)"; and shall be of the denominations and be numbered and mature as follows, to-wit:

(Then follows schedule of bonds.) [174]

Said bonds and coupons thereon shall be payable at the office of the County Treasurer of Riverside County in the City of Riverside, California, or at the National City Bank of New York, in the Borough of Manhattan, City of New York, State of New York, at the option of the holder, in such funds as are, on the respective dates of payment of the principal and interest on the bonds, legal tender for debts due the United States of America. Said refunding bonds shall be deposited from time to time with such depositary and in such amounts as may be designated by R. F. C., and R. F. C.

(Testimony of Lewis A. Hauser.)

agrees, subject to full compliance with all the conditions and terms of the resolution of R. F. C. of March 1, 1934, to take delivery of such bonds and to provide and make available funds therefor in the amount or amounts authorized by said resolution of R. F. C. of March 1, 1934, and the District shall be entitled to receive said funds and to use the same for the purposes contemplated by said resolution of March 1, 1934, including the purchase and cancellation concurrently therewith of the old securities in such amounts as are required to be cancelled in the refunding plan set forth in said resolution of March 1, 1934; provided that R. F. C. may in the alternative, as provided for in said resolution of March 1, 1934, make its loan or loans directly to the owners' agents and consenting owners of the old securities upon receiving the note or notes of such consenting owners or owners' agent and the pledge of "old securities" in such amount as should otherwise be cancelled for a loan of like amount to the District under the refunding plan, and thereupon R. F. C. shall have the right to exchange such "old securities" for refunding bonds and all other rights as more fully provided for in said resolution of March 1, 1934.

3. Said bonds shall constitute the general obligations of the District and shall be negotiable, serial, coupon bonds, payable to bearer, and shall be registerable at the option of the holder as to principal and interest.

(Testimony of Lewis A. Hauser.)

4. That as provided in the resolution of the Executive Committee of R. F. C. adopted March 1, 1934, said District hereby promises, covenants and agrees with said R. F. C. that so long as any of said refunding bonds, or any of the old securities pledged to or acquired by R. F. C. pursuant to the aforesaid resolution remain outstanding said District will duly and fully fulfill, comply with and carry out all the terms and conditions on its part to be fulfilled, complied with and carried out under the terms and conditions of said corporation resolution, and further that said District will at all times levy and collect sufficient assessments which together with other charges shall be sufficient to pay all expenses of operation, maintenance and repairing its works and to provide all sums necessary for payment of interest and principal on the bonds and *and* any other indebtedness at any time owed by the District, and, in addition thereto, the District agrees that so long as any of the refunding bonds, or any of the old securities pledged to or acquired by R. F. C. pursuant to the aforesaid resolution, remain outstanding, such assessments cannot or will not be reduced below the amounts above required by any action of the California District Securities Commission, or by any other governmental officer of board.

That the District shall be obligated and bound for the payment of said refunding bonds in accordance with the terms of said plan and all the terms and

(Testimony of Lewis A. Hauser.)

conditions on the part of the District to be kept and performed are hereby incorporated herein and made a part hereof.

5. That the District hereby agrees to create and maintain [175] a separate fund as a reserve for contingencies. That in each year, for a period of five (5) years, beginning in the year 1936, said District shall pay into such fund the annual amount of \$12,044.00. That moneys in such fund shall be used solely and only to the extent necessary to prevent a default in the payment of the interest on and principal of the bonds, until the amount in such fund is sufficient to service, both as to principal and interest, all of the refunding bonds then outstanding to the maturity thereof. That the amount of any moneys used in any year from such reserve fund to prevent any such default shall be paid into said fund in the next year, and said fund shall be secured at all times in the manner provided by the law of the State of California.

6. That the District covenants and agrees that it will not issue any other bonds having security similar to that of the refunding bonds or any of the old securities pledged to or acquired by R. F. C. pursuant to the aforesaid resolution, except with the consent of said corporation; that in so far as said District may lawfully do so, it will pay to said R. F. C. an amount equal to the amount by which the assessments, taxes or other charges collected by said District exceeds the costs of operation and

(Testimony of Lewis A. Hauser.)

maintenance of the project and maturities of interest and principal on its outstanding obligations, and that said District will reduce, in so far as it lawfully may, the annual taxes, assessments and other charges imposed by it for and on account of the project, by the amount proportional to the reduction in the corresponding annual requirements for principal and interest of its outstanding indebtedness by reason of the operation of Section 36, Part 4 of the Emergency Farm Mortgage Act of 1933, as amended.

7. That the District agrees that in the period prior to the first maturity on such refunding bonds, the District will cause to be levied and collected sufficient assessments, taxes or other charges to pay all of its operating costs for such period, all tax anticipation obligations of every kind which are then outstanding and all other indebtedness of the District which is then due and payable or to become due and payable during such period, and, in addition thereto, to leave the District at the end of such period with sufficient cash on hand to pay all obligations which it should meet before the time when its next assessments or taxes become payable, to the end that after the expiration of such period the District will be operated on a cash basis with no tax anticipation warrants, notes or other like obligations then outstanding. That after the date when the first loan is made hereunder, the District will not incur any indebtedness of any kind unless it

(Testimony of Lewis A. Hauser.)

can pay such indebtedness at the time when due with cash on hand or which it will have on hand at such time from its normal sources of revenue, and it will not issue any tax anticipation warrants, notes or obligations of any kind without first securing the consent of the R. F. C.

8. That the District will maintain its irrigation system in good condition and will operate the same in an efficient manner.

9. That the District further covenants and agrees to do and perform all things required to be done or performed by it under said resolution of R. F. C. of March 1, 1934, in the time, manner and form as therein more fully specified.

10. R. F. C. shall not be obligated to purchase any of said bonds until it has been furnished, at no cost to it, with two signed counterparts of a final opinion by Messrs. O'Melveny, Tuller & Myers in form previously to be approved by said R. F. C. If R. F. C. [176] shall not be satisfied as to all legal matters and proceedings affecting the bonds and the security therefor, R. F. C. shall not be under obligation to purchase any of said bonds.

11. That the District shall promptly work out and submit, with opinion of municipal bond counsel, to the Chief of the Drainage, Irrigation and Levee Division of the R. F. C. a detailed plan for handling delinquent assessments and cleaning up all outstanding delinquencies, with due regard to the respective rights, interests and equities of all taxpayers, as

(Testimony of Lewis A. Hauser.)

fully as the controlling laws and existing circumstances and conditions justify, and that, when such plan has been approved by said Division Chief, then the Board of Trustees of the District shall be authorized and empowered to carry said plan into effect and to make and execute any deeds, conveyances, leases, options and contracts of sale of any and all property, real, personal or mixed, owned by or thereafter acquired by said District, as provided in said plan.

12. This contract is not for the benefit of any person or corporation other than the parties hereto, their respective successors and assigns, and neither the holders of the bonds of the District now outstanding nor any other except the parties hereto, their respective successors or assigns, shall have any right or interest in or under this contract except as expressly provided for herein. This contract shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns, and shall inure to the benefit of the holders from time to time of any of the refunding bonds; provided, however, that no rights of the District hereunder shall be assignable except with the prior consent of R. F. C. All obligations of the District hereunder shall cease upon payment in full of the refunding bonds. This contract shall be governed by and construed in accordance with the laws of the State of California.

(Testimony of Lewis A. Hauser.)

In Witness Whereof, said Palo Verde Irrigation District and said R. F. C. have respectively caused this agreement to be duly executed as of the day and year first above written.

**PALO VERDE IRRIGATION
DISTRICT**

By
President of the Board of
Trustees of said District.

By
Secretary of the Board of
Trustees of said District.

**RECONSTRUCTION FINANCE
CORPORATION**

An Agency of the United
States of America

By

The second agreement was approved at a District board meeting on August 7, 1934, and executed and dated on that date, delivered to the Reconstruction Finance Corporation also on August 11, 1934, and was offered in evidence as petitioner's Exhibit 20, reading as follows: [177]

(Testimony of Lewis A. Hauser.)

PETITIONER'S EXHIBIT NO. 20

AGREEMENT

This Agreement, made this 7th day of August, 1934, by and between Reconstruction Finance Corporation, hereinafter referred to as the Corporation and Palo Verde Irrigation District, a public corporation, organized under the laws of the State of California, hereinafter referred to as the District,

Witnesseth:

Whereas, the Corporation has heretofore duly authorized a loan to or for the benefit of the District under the provisions of Section 36, Part 4, of the Emergency Farm Mortgage Act of 1933, as amended, to enable the District to reduce and refinance its outstanding indebtedness evidenced by Old Securities referred to in the resolution authorizing said loan, and said loan has heretofore, by resolution of the District, been duly accepted and the District therein consented and agreed to carry out the terms and conditions set forth in said resolution of the Corporation authorizing said loan; and

Whereas, said resolution authorizing said loan contemplates that said indebtedness will be reduced and refinanced by the Corporation's acquiring the Old Securities therein referred to for the amount set forth in said resolution, and thereafter exchanging said Old Securities for New Bonds, to be issued by the District and delivered to the Corporation as provided in said resolution, having a principal amount equal to the sum disbursed by the

(Testimony of Lewis A. Hauser.)

Corporation and carrying interest at the rate of four per cent per annum; and

Whereas, the District represents that over 93½ per cent of said Old Securities have been deposited and now are available for refinancing on the basis provided for in said resolution authorizing said loan; and

Whereas, the District represents that it desires and intends to take and complete, and that it will expeditiously and in good faith take and complete, all proceedings necessary or appro- [178] priate to bring about the participation of the Old Securities that have not been made available for refinancing; and

Whereas, the District desires and has requested the Corporation to make disbursements from said loan for the purpose of acquiring the Old Securities available for refinancing prior to the time the remaining Old Securities are made available for such purpose;

Now, Therefore, it is hereby agreed by and between the parties hereto as follows:

1. The Corporation may make disbursements at any time it is willing to do so for the purpose of acquiring any portion of the Old Securities available for refinancing, or rights or interests in or to such Old Securities, on the basis of the payments to be made for Old Securities under the provisions of said resolution, and if and when such disbursements are made (whether made to the District or to the

(Testimony of Lewis A. Hauser.)

holders or representatives of the holders of said Old Securities, and whether made upon promissory notes collateralized by such Old Securities or through the purchase of such Old Securities) they shall be and constitute advances from the loan authorized in said resolution.

2. Until the Old Securities acquired and held by the Corporation by reason of or in connection with such disbursements are exchanged for New Bonds issued by the District, or are otherwise refinanced as provided in said resolution, they shall at all times continue to be and constitute obligations of the District for the full face amount thereof.

3. When all of the Old Securities are made available for refinancing and are acquired by the Corporation the reduction in the District's indebtedness will be effected to the extent and in the manner provided in said resolution authorizing said loan, and the parties hereto will do all acts and take all steps and proceedings necessary or appropriate to facilitate and accomplish [179] expeditiously such result.

4. Prior to the time all of the Old Securities are available for refinancing or are acquired by the Corporation, the Corporation may, at any time, if it so elects at its sole discretion, require that the District's indebtedness be reduced in the manner provided in said resolution and to the extent that such result can be accomplished by subjecting the

(Testimony of Lewis A. Hauser.)

proportion of Old Securities held by the Corporation to the refinancing plan provided for in said resolution, and in such event the parties hereto will do all acts and take all steps and proceedings necessary or appropriate to facilitate and accomplish expeditiously such result.

5. The District will forthwith proceed to take and complete all acts and proceedings to be done or taken by it under the terms and conditions of said resolution so far as such acts and proceedings can be taken and completed during the time non-participating Old Securities remain outstanding or prior to the time the Corporation elects to close the loan regardless of the non-participation of such outstanding Old Securities, to the end that the least possible delays will be required or will result in the final closing of the loan.

6. During the time the Corporation holds any of said Old Securities and the same have not been refinanced by the issuance and delivery of New Bonds or as otherwise provided in said resolution, the District will annually levy and collect taxes and assessments in sufficient amounts to pay, and will pay, the Corporation each year a sum that will yield to the Corporation four per cent upon the total amount of the disbursements made by it in acquiring such Old Securities, or rights or interests in or to such Old Securities; provided, that the Corporation can during any such time require the District to pay any larger sum, not exceeding the amount due on said Old Securities according to the terms thereof, in

(Testimony of Lewis A. Hauser.)

which event the District will so levy, collect [180] and pay such larger sum.

7. The Corporation may at any time advance such sum or sums to the District to enable it to meet and pay expenses incurred in connection with its refinancing program as may be requested by the District and approved by the Division Chief, and such advances shall be deemed advances from said loan and included in sums disbursed by the Corporation in acquiring Old Securities, or rights or interests in or to Old Securities.

In Witness Whereof the parties hereto have caused these presents to be executed by their proper officers, first duly authorized and their respective corporate seals to be hereto affixed, the day and year first above written.

RECONSTRUCTION FINANCE
CORPORATION,

By

PALO VERDE IRRIGATION
DISTRICT,

By

Its Vice President.

By

Its Secretary.

It was further stipulated that in May of 1934 the District issued a printed circular letter to all bondholders of which it had knowledge advising

(Testimony of Lewis A. Hauser.)

them of the proposed loan of the Reconstruction Finance Corporation, requesting that they deposit their bonds and take the benefits of the plan, and stating that the Palo Verde Valley Properties, Inc., had been appointed by the district as its agent for the purpose of informing the bondholders and discussing with them the deposit of the bonds.

Mr. Shaw stated that it was his understanding that the Palo Verde Valley Properties, Inc., received a permit from the Corporation Commissioner to issue a certain number of shares of stock for each \$1000 bond and that all the bonds which the corporation acquired were exchanged for stock on a ratable basis and that this involved substantially 87 per cent of the outstanding bonds of the Palo Verde Irrigation District. [181]

One of the printed letters sent out by the Palo Verde Irrigation District to the bondholders was introduced in evidence as respondents' Exhibit B, reading as follows:

This was a printed letter headed "Palo Verde Irrigation District, Blythe, California, dated April 16, 1934, and directed to holders of bonds of Palo Verde Irrigation District, Palo Verde Joint Levee District, and/or Palo Verde Drainage District. This letter made some statements regarding the default of the district in payment of its bond obligations and stated "obviously some corrective measure was necessary to prevent a complete loss of the bondholders' investments and for this reason the

(Testimony of Lewis A. Hauser.)

plan of reorganization of September 16, 1932, was finally adopted." * * * and then the letter went on as follows:

RESPONDENT'S EXHIBIT B

As you probably know, under the Emergency Farm Mortgage Act of 1933 the Reconstruction Finance Corporation was authorized to loan to Irrigation, Levee, Drainage and similar districts, for the purpose of refinancing their outstanding indebtedness certain sums not exceeding in the aggregate \$50,000,000.

Naturally there have been many applications for such loans and we are pleased to advise you that after investigation and appraisal of our District, the R.F.C. has approved our application for such loan. As a result of negotiations with representatives of all groups of bondholders the district is now in a position to make the following cash offer for your bonds:

1. The payment for bonds of the Palo Verde Irrigation District, Palo Verde Joint Levee District and/or Palo Verde Drainage District shall be 23.248 cents for each dollar of principal amount of such bonds deposited at the time the R.F.C. makes its first loan, provided that all unpaid coupons maturing subsequent to October 30, 1929, are attached.

2. The payment for bonds not deposited at the time when such first loan is made but which are subsequently deposited within such time or times

(Testimony of Lewis A. Hauser.)

as may be fixed or approved by the R.F.C., shall be 21.248 cents for each dollar of principal amount of such bonds, provided that all unpaid coupons maturing subsequent to October 30, 1929, are attached.

The time at which the R.F.C. will furnish the first part of the money to be loaned (above specified as "first loan") is uncertain and it is therefore desirable that bonds still outstanding be deposited as early as possible.

In the event that any of the unpaid coupons maturing subsequent to October 30th, 1929, are not attached to such bonds, said loan agreement contemplates that there be deducted from the payment under either of the above items such amount as may be determined upon by the Division Chief of the Drainage, Levee and Irrigation Division of the R.F.C. [182]

We are gratified that our application has received early consideration and approval and in order that you may fully realize the situation, particularly as it affects California districts, we are quoting below from a report of the R.F.C. dated February 12, 1934:

(Testimony of Lewis A. Hauser.)

California Districts

Number of districts applying for loans	43
Outstanding indebtedness of districts making application.....	\$55,594,875.46
Gross amount of loans applied for	30,853,201.60
Number of loans approved	7
Outstanding indebtedness of districts approved	\$10,370,790.17
Gross amount of loans approved...	3,736,579.50

These figures include the application of the Palo Verde District.

It is evident, we believe, from the foregoing that if the offer made to us is not accepted within the time specified by the R.F.C., the offer may be withdrawn and funds allotted to us used elsewhere as many federal loans heretofore authorized have already been cancelled for lack of progress by the district to which the allotment had been authorized. Effort has been made to have the amount offered for your bonds increased but such effort has been unsuccessful and we have been advised that the R.F.C. does not consider any increase warranted.

Under the terms of the loan granted by the R.F.C., all details in connection with the loan must be completed and the funds disbursed on or before June 30, 1934, so that your immediate cooperation is necessary if this further effort in your behalf is

(Testimony of Lewis A. Hauser.)

to be successfully completed. It will be necessary for this district to take certain procedural steps, including the voting of a refunding bond issue, which will require close to two months before the loan can be completed. Consequently the utmost of speed is requisite.

In order to consummate the loan as quickly as possible, the District, by resolution of its Board of Trustees, has appointed Palo Verde Valley Properties, Inc., whose address is 1112 Haas Building, Los Angeles, to act as its agent for the purpose of answering such inquiry as may be made concerning the deposit of bonds or other matters relative to the loan.

An exactly similar offer is being made to those bondholders who have previously deposited their bonds and it is believed such offer will be accepted, and that as part of said acceptance the lease option agreement of August 18, 1932, which is fully described in the plan of reorganization of September 16, 1932, will be cancelled by authority of such other bondholders. We therefore urge that you immediately deposit your bonds with the Security-First National Bank of Los Angeles, Corporate Trust Department, Sixth and Spring Streets, Los Angeles, California, which has been constituted the depositary for the purpose of consummating the loan. The enclosed transmittal letter represents all of the terms and conditions under which the deposit

(Testimony of Lewis A. Hauser.)
is made. Please fill in, sign and forward promptly
as requested above.

Yours very truly,

PALO VERDE IRRIGATION DISTRICT,
[183]

By L. A. HAUSER, President;
DAVID DARLING,
R. H. EHLERS,
WAYNE H. FISHER,
A. E. PETITT,
TONY SEELEY,
W. G. SHELLENBERGER.

A copy of another form letter sent out by the district generally amongst the bondholders was introduced in evidence as respondents' Exhibit C. This letter repeated the offer mentioned in the letter of April 16, 1934, urged bondholders to deposit their bonds, and stated:

RESPONDENT'S EXHIBIT C

We have now been advised that the R.F.C. proposes to advance funds to make payments as outlined above as soon as a sufficient amount of old bonds have been deposited to meet the requirements of the Division Chief of the Drainage, Levee and Irrigation Division of the R.F.C. We have not been advised as to the percentage of outstanding bonds which must be deposited, but were advised just re-

(Testimony of Lewis A. Hauser.)

cently, when close to 90% of the bonds had been deposited that this was not sufficient to satisfy the R.F.C. Approximately 91% of this district's bonds have now been so deposited and we are hopeful that sufficient additional bonds will be deposited so that disbursement may be made prior to June 30, 1934.

If you do not deposit your bonds with the bank at once, one of two results will occur:

Either (1) the R.F.C. will be satisfied to make its first loan upon the basis of other bonds so deposited and take over such bonds, in which event you will thereafter be able to turn in your bonds for only 21.248 cents per dollar instead of 23.248 cents per dollar, and will thereby lose \$20.00 per \$1,000 bond; or (2) The R.F.C. will not be satisfied to make such loan and will be apt to cancel the loan. [184]

The witness, Mr. Hauser, further testified that copies of the two letters introduced as respondents' Exhibit B and C were sent out only to holders of bonds of the Levee, Drainage and Irrigation Districts and not to holders of the Mutual Water Company bonds.

C. P. MAHONEY

was called as a witness by the petitioner and testified that he had been chief engineer and manager of the Palo Verde Irrigation District since 1928. His qualifications as a hydraulic engineer were stipulated. He identified a map of the Palo Verde Valley.

Subject to the objection of respondents that it was immaterial, it was stipulated that the Colorado River is the eastern boundary of the State of California and in generations past has come thru a comparatively narrow channel below the town of Parker, Arizona, about 50 miles north of the Palo Verde Irrigation District. From the intake of the district the valley has widened out to a distance between a high mesa on the Arizona side and a mesa on the California side about 80 feet above the level of the valley so that the river has wandered over all of this area which now constitutes the Palo Verde Valley. From about 1856 on, the river has confined its channel largely to the area between the district levees and the Arizona mesa. In so doing it has deposited silt on the eastern edge until it has filled its channel up above the level of the adjacent Palo Verde Valley. To protect the valley against floods, a main levee of earth from 6 to 12 feet high and 20 to 25 feet in width has been constructed for approximately 35 miles from the intake down to the southerly end of the valley.

An irrigation system has been constructed in the valley consisting of about 200 miles of unlined canals. A suction dredge removes silt from irriga-

(Testimony of C. P. Mahoney.)

tion water. The dredge cost approximately \$100,000. The third system which is operated by the district is a drainage system consisting of 65 miles of dug drains which are deep open ditches and 10 miles of natural channels that are used [185] as surface drains. The drainage system was installed commencing in 1921. (End of Stipulation.)

The drainage canals are now in very poor condition. Relative to the ground level, the average depth to ground water is now slightly less than 6 feet in the district. In many places where old river channels have been farmed the ground water table has come to the surface and prevented the raising of crops.

A map of the district identified by the witness was introduced as petitioner's Exhibit 21.

The water from the river has broken through the levee at numerous times. The drainage canals should be dredged and cleaned and otherwise repaired at a cost approximating \$50,000. The present drainage system is believed to be sufficient for approximately 35,000 acres in cultivation. If there are more acres some of the drains should be extended and laterals constructed. The wooden structures appurtenant to the canal system are in generally poor condition and should be replaced with concrete, at a cost of approximately \$25,000 for replacements needed now. The district has been patching up these wooden structures during the lean years since 1930. Additional canals for new lands should be constructed at a

(Testimony of C. P. Mahoney.)

cost of approximately \$5,000. There are also lands outside the levee but inside the district which are being improved and which will require a canal at a cost of \$6,000. All canal bridges in the valley should be replaced. The condition of district operating equipment is generally poor and additional equipment is needed. The District is still operating ten Model T Ford trucks dating from 1917 to 1927. Approximately \$10,000 to \$12,000 is needed for replacement of equipment, excluding drag line and dredging equipment. The Colorado River is showing a tendency to meander since Boulder Dam has been built and has eroded the levees at some places. Since the building of the Boulder Dam, the silt content of the river has been 25 per cent less in coarse sand and 50 to 75 per cent less in [186] finer silt. The river picks up silt from its channel below Boulder Dam. The district is able to remove the bulk of the coarse silt in a settling canal. When there was an appreciable quantity of fine silt in the canal water it was distributed over the farm lands generally. Expenditures should be made to repair the levees and the river should be controlled by cutting new channels. Approximately \$5,000 is needed at this time for river control and levee replacement and repairs. A tabulation of figures testified to by the witness was introduced in evidence as petitioner's Exhibit 22. If the farmers should abandon their lands and the district's works were not used and maintained for a year's time the cost of reconstruc-

(Testimony of C. P. Mahoney.)

tion and reconditioning would amount to between a half a million and a million dollars. It is anticipated that sometime in the future the Colorado River being cleared of silt by the Boulder Dam, the clear water will eventually scour and lower the riverbed and a weir or dam at the Palo Verde District intake will have to be constructed to hold the river level high enough to get water into the Palo Verde intake at a cost of about half a million dollars. There is being constructed in the river channel below the Palo Verde Valley the Imperial Dam, and it is anticipated that eventually that will cause the river grade at the lower end of the valley to raise, creating a drainage difficulty and may eventually require the pumping of the drainage water of the valley back into the river whereas it flows by gravity now. The cost of such works to pump the drainage water back into the river was approximated at \$100,000 at one time but the estimate was not based on a thorough investigation.

It was stipulated that in 1928 the valley experienced a severe and continued water shortage due largely to the fact that the silt cleaning operation in the main canal and in lateral canals had not been carried on adequately. There was a difference in opinion amongst various individuals in the valley as to whether [187] the silting of the canals and the water shortage was due to engineering errors or because funds did not exist in the district's treasury. The district then borrowed approximately \$90,-

(Testimony of C. P. Mahoney.)

000 from the Palo Verde Mutual Water Company and gave its promissory note therefor which sum was used largely in the construction of the suction dredge to remove silt. (End of stipulation.)

The witness further testified that in 1930 a group of taxpayers of the district contributed a sum approximating \$70,000 to three trustees which was used to cash district warrants for maintenance and operation, and those warrants have never been paid nor have they been turned in for payment.

It was further stipulated that during the year 1933 the district compromised a tax dispute with the Santa Fe Railroad Company whereby the railroad paid the district \$40,000 which was used during 1930 for operation and maintenance of the district.

It was further stipulated that after the default of the district, the district sold to the Department of Finance of the State of California bonds of the district in the amount of \$15,000 which had never theretofore been issued, the State having the knowledge that the district was then in default since May 1, 1930, upon its bond issues. This sum of \$15,000 was used for operation and maintenance during the year 1930. Subject to the objection of respondents that it was immaterial, it was stipulated that in 1931 the operation of the district was carried on by means of a water toll. That from 1927 and 1928 and on, the district progressively reduced its operation and maintenance charges by reduction of wages, and other economies. For the last four or

(Testimony of C. P. Mahoney.)

five years operation and maintenance has cost less than half the former costs. In 1927 the State treasurer of California had accepted and held as security for deposit of state funds in banks bonds of the Palo Verde Valley Irrigation District in the amount of \$99,000. (End of stipulation.) [188]

The witness further testified that not all of the irrigation structures are wooden structures and there are some concrete structures. A picture of the concrete headgate at the river was introduced in evidence as respondents' Exhibit D. If the capital expenditures were made to which the witness testified they would take care of the situation for about five years and if the expenditures were made now only about one-tenth of the amount necessary now would be required for each succeeding year. There are 90,000 acres in the district of which 32,000 are now being farmed. If the entire needed capital expenditures were made at this time, it would cost about \$3.25 an acre for the farming land. The district has not assessed other than farm lands for water toll. The condition of the cotton crop has become progressively bad for the last five or six years. About 3,000 people live in the valley. In the spring of 1934 there were approximately 22,000 and some odd hundred acres in cultivation, and the acreage has increased since that time about 10,000 acres. At least 100 new houses have been built in the last three years, and there are no vacant houses in the town of Blythe. There were a little over a thousand people in the town of Blythe in 1930. There is a

(Testimony of C. P. Mahoney.)

creamery at the town of Blythe. Alfalfa seed is produced in the valley there being about 4,000 to 5,000 acres devoted to alfalfa seed this year. In other words, about 15 per cent of the whole district farmed area is devoted to alfalfa seed. There are between 100 to 200 acres in pecans in the district. The district has filings on the river water rights dating back to 1878, and subsequently. Blythe is located on one of the transcontinental highways and there is a fairly large interstate travel through there. The district made a crop survey and report during the summer of 1937. This survey and report was introduced in evidence as respondents' Exhibit E, reading as follows: [189]

RESPONDENT'S EXHIBIT E

1937 Crop Report

	Acres
Alfalfa	10,326
Barley	465
Cotton	17,318
Bermuda Grass	293
Hemp	78
Corn	1,878
Wheat	190
Melons	30
Sweet Potatoes	5
Cantaloupes	96
Oats	265
Pecans	200
Total	31,171

(Testimony of C. P. Mahoney.)

Crop followed by another crop:

Oats	57
Wheat	1,089
Barley	645
Pecans	80
	<hr/>
	1,871

There are a number of apiaries around the valley and there is a portable extracting plant that is used by one man who owns a number of apiaries.

There has been a recent demand on the district to supply irrigation water for lands inside the district but outside the levees and some attempt has been made to supply such water. Approximately 6,000 acres have been added to the district within the last year or two under an agreement whereby the owners of the lands were to advance a certain portion of the cost of the canal, that money to be credited to their account and available as water toll for their land to a certain extent. The resulting land development more or less guarantees the district that they will obtain from that land the complete expenditure over a relatively short [190] period of time. Such landowners have agreed to take care of the maintenance and operation of the extended canal. The stands of jigaria and milo maize seem normal this year but the witness did not know if it was true that this year there had been produced in the valley one of the finest crops of jigaria and mib that they have had in the valley at any time.

(Testimony of C. P. Mahoney.)

Pages 327 to 334 of Bulletin No. 21, Irrigation Districts in California, by Frank Adams, published by the Department of Public Works of California, Division of Engineering and Irrigation, was introduced in evidence as respondents' Exhibit F. This exhibit gives a history of the Palo Verde Irrigation District and since the bulletin from which the exhibit was taken is available generally the exhibit is not here copied.

The beehives are along the mesa and outside of the district. About 385 acres of the land which was annexed to the district this year has been cultivated and irrigated.

O. W. MALMGREN

was called as a witness by petitioner and testified that he has been assistant secretary of the Palo Verde Irrigation District since 1924 and collector since 1927 and in charge of the office and records of the district.

A schedule of bond principal and interest amounts of the original issues of bonds in each of the years 1930 to 1962 was introduced in evidence as petitioner's Exhibit 23 over the objection of respondents that the exhibit assumed facts not in evidence, namely that the bonds described are shown as outstanding and unpaid. This schedule covers bonds of Palo Verde Mutual Water Company, Palo Verde Joint Levee District, Palo Verde Drainage District, and Palo Verde Irrigation District. So far as the

(Testimony of O. W. Malmgren.)

witness knows, none of the bonds in the schedule have been delivered to the County Treasurer but coupons have been stamped paid and delivered to the County Treasurer. [191]

A schedule showing comparatively by years the crops irrigated in the valley from the year 1920 to and including the year of 1936 excepting 1927 was introduced in evidence as petitioner's Exhibit 24, reading as follows:

PETITIONER'S EXHIBIT NO. 24

PALO VERDE IRRIGATION DISTRICT
COMPARATIVE CROP REPORT, 1920 TO 1936,
WITH EXCEPTION OF 1927

Crops	1920	1921	1922	1923	1924	1925	1926	1928
	acres							
Cotton	23,438	14,896	16,247	19,700	22,788	24,046	22,260	23,262
Alfalfa	4,684	5,389	6,247	5,402	5,060	6,451	6,410	4,746
Grain	1,554	5,024	3,300	2,520	1,219	1,335	1,352	1,042
Misc.	1,042	2,067	2,862	2,402	1,708	1,772	6,113	1,158
Totals	30,718	27,376	28,656	30,024	30,775	33,604	36,135	30,208

Percentage of
peak acreage
of 1926

Crops	1929	1930	1931	1932	1933	1934	1935	1936
Cotton	23,180	16,890	13,811	5,309	9,061	10,779	8,761	14,561
Alfalfa	4,843	6,944	9,656	11,175	8,807	7,920	8,805	9,632
Grain	1,287	2,134	2,470	3,608	3,011	2,482	6,862	4,979
Misc.	3,083	70	411	1,609	238	362	536	632
Totals	32,393	26,038	26,348	21,701	21,117	21,543	24,964	29,804

Percentage of
peak acreage
of 1926

	90%	72%	73%	60%	58%	60%	69%	82½%
--	-----	-----	-----	-----	-----	-----	-----	------

(Testimony of O. W. Malmgren.)

A statement of assessments, collections, and delinquencies for the tax years 1927, 1928 to and including the tax year 1936, 1937, reflecting assessments on both real property and improvements was introduced in evidence as petitioner's Exhibit 25, reading as follows: [192]

PETITIONER'S EXHIBIT NO. 25

PALO VERDE IRRIGATION DISTRICT
COMPARATIVE STATEMENT OF ASSESSMENT, COLLECTIONS
AND DELINQUENCIES

	1927-28	1928-29	1929-30	1930-31	1931-32
Total Assessed					
Valuation	\$5,067,435	\$4,974,780	\$4,908,960	\$3,898,650	\$3,363,480
Rates per \$100					
Valuation	2.88 to 13.84	3.85 to 17.34	3.72 to 16.95	3.82 to 9.40	4.17 to 10.20
Total amt. of Assmt.	613,957	758,365	731,665	357,945	430,378
Collections as of last Monday in April:					
Amount					
Collected	\$452,038	\$519,537	\$323,679	\$9,367	\$3,085
Percentage					
Collected	73.63	68.51	44.24	2.62	.72
Delinquencies as of last Monday in April:					
Amount					
Uncollected	\$161,920	\$238,828	\$407,976	\$348,578	\$427,293
Percentage					
Uncollected	26.37	31.49	55.76	97.38	99.28

(Testimony of O. W. Malmgren.)

	1932-33	1933-34	1934-35	1935-36	1936-37
Total Assessed					
Valuation	\$2,817,200	\$2,472,860	\$2,416,860	\$2,987,575	\$2,942,240
Rates per \$100					
Valuation	4.71 to 13.77	No Assmt. Levied	2.50	1.90	1.75
Total amt. of Assmt.	377,168		60,394	56,763	51,484
Collections as of last Monday in April:					
Amount					
Collected	\$2,979		\$53,445	\$52,815	\$48,436
Percentage					
Collected .....	.79		88.50	93.04	94.07
Delinquencies as of last Monday in April:					
Amount					
Uncollected	\$374,189		\$6,949	\$3,948	\$3,048
Percentage					
Uncollected	99.21		11.50	6.96	5.93

[193]

The witness further testified that for the years 1927, 1928, to and including 1932, 1933 the higher rates per hundred valuation was levied on most of the area of the district and included property which was situated in the Levee, Drainage, and Irrigation Districts. The smaller rates were only levied upon the area which was originally in the Levee district and not in the Drainage district or vice versa. The same explanation applies to the rates for 1929 and 1930. No assessment was levied in 1933-1934.

A comparative statement of unpaid tax sale certificates covering the years 1927 to 1935 inclusive was introduced in evidence as petitioner's Exhibit 26, as follows:

(Testimony of O. W. Malmgren.)

PETITIONER'S EXHIBIT NO. 26
PALO VERDE IRRIGATION DISTRICT
COMPARATIVE STATEMENT OF UNPAID TAX
SALE CERTIFICATES

	1927	1928	1929
Original Tax Sale			
Certificates	\$175,161.70	\$256,147.80	\$445,285.26
January 1, 1929			
Total Unpaid	173,271.11		
Percentage Unpaid	98.9%		
January 1, 1930			
Total Unpaid	170,603.80	253,566.85	
Percentage Unpaid	97.4%	98.9%	
January 1, 1931			
Total Unpaid	170,561.68	252,281.47	442,233.75
Percentage Unpaid	97.4%	98.5%	99.3%
January 1, 1932			
Total Unpaid	170,182.22	251,899.53	440,901.61
Percentage Unpaid	97.2%	99.3%	99.0%
January 1, 1933			
Total Unpaid	170,022.18	251,828.91	440,851.62
Percentage Unpaid	97.1%	98.3%	99.0%
January 1, 1934			
Total Unpaid	170,022.18	251,823.91	440,851.62
Percentage Unpaid	97.1%	98.3%	99.0%
January 1, 1935			
Total Unpaid	170,022.18	251,823.91	440,844.08
Percentage Unpaid	97.1%	98.3%	99.0%
January 1, 1936			
Total Unpaid	170,022.18	251,823.91	440,884.08
Percentage Unpaid	97.1%	98.3%	99.0%
January 1, 1937			
Total Unpaid	170,022.18	251,823.91	440,844.08
Percentage Unpaid	97.1%	98.3%	99%

(Testimony of O. W. Malmgren.)

	1930	1931	1932
Original Tax Sale			
Certificates	\$384,009.93	\$449,854.42	\$393,786.87
January 1, 1929			
Total Unpaid			
Percentage Unpaid			
January 1, 1930			
Total Unpaid			
Percentage Unpaid			
January 1, 1931			
Total Unpaid			
Percentage Unpaid			
January 1, 1932			
Total Unpaid	383,868.44		
Percentage Unpaid	99.9%		
January 1, 1933			
Total Unpaid	383,577.47	449,747.96	
Percentage Unpaid	99.8%	99.9%	
January 1, 1934			
Total Unpaid	383,549.74	449,712.00	393,747.16
Percentage Unpaid	99.8%	99.9%	99.9%
January 1, 1935			
Total Unpaid	383,541.42	449,663.23	393,682.02
Percentage Unpaid	99.8%	99.9%	99.9%
January 1, 1936			
Total Unpaid	383,541.42	449,663.23	393,682.02
Percentage Unpaid	99.8%	99.9%	99.9%
January 1, 1937			
Total Unpaid	383,541.42	449,663.23	393,682.02
Percentage Unpaid	99.8%	99.9%	99%

(Testimony of O. W. Malmgren.)

	1933	1934	1935
Original Tax Sale			
Certificates	No Assessment	\$6,012.91	\$3,625.27
January 1, 1929			
Total Unpaid			
Percentage Unpaid			
January 1, 1930			
Total Unpaid			
Percentage Unpaid			
January 1, 1931			
Total Unpaid			
Percentage Unpaid			
January 1, 1932			
Total Unpaid			
Percentage Unpaid			
January 1, 1933			
Total Unpaid			
Percentage Unpaid			
January 1, 1934			
Total Unpaid			
Percentage Unpaid			
January 1, 1935			
Total Unpaid			
Percentage Unpaid			
January 1, 1936			
Total Unpaid	No	6,010.87	
Percentage Unpaid	No	99.9%	
January 1, 1937			
Total Unpaid	No	6,010.87	3,625.27
Percentage Unpaid	No	99.9%	100%

The witness further testified that it was his practice after the delinquencies each year to issue a tax sale certificate to the district and that none of this tax delinquent land is sold to purchasers other than

(Testimony of O. W. Malmgren.)

the district. Referring to the statutes adopted from 1933 on, permitting redemption from irrigation district assessments under what are called the ten-year plan and the four-year plan, no redemptions have been made under the four-year plan and the amount paid under the ten-year plan is \$407.56. (Stat. 1933, Chapter 835 and Stat. 1934, Chapter 7.) A schedule of such redemptions was introduced in evidence as petitioner's Exhibit 27, reading as follows: [196]

PETITIONER'S EXHIBIT NO. 27

Palo Verde Irrigation District

Redemptions During 1934, 1935 and 1936 Under Special Laws

Under Chapter 835—Statutes 1933 (4-Year Plan)None

Under Chapter 7—Statutes Special Session 1933-34 (10-Year Plan)\$407.56

The witness further testified that prior to 1927 all of the district taxes were collected by the County Tax Collector but that since then the district has had its own tax assessor and collector, pursuant to amendments to the Palo Verde Irrigation District Act.

(Testimony of O. W. Malmgren.)

A schedule showing the lands deeded to the district in each of the years 1931 to 1937, inclusive, was introduced in evidence as

PETITIONER'S EXHIBIT NO. 28

reading:

Palo Verde Irrigation District
Comparative Statement of
Land Deeded to District
For Non-Payment of District Taxes
In Years 1931 to 1937, Inclusive

Year	Value on 1929 District Assessment Roll of Lands Deeded to District	Percentage Deeded	
1931	\$918,835	23.25%	
1932	385,846	9.76%	Total assessed value
1933	.....	.....	of lands in District
1934	1,597,661	39.96%	on 1929 District
1935	1,054,893	26.69%	Assessment Roll
1936	.....	.....	\$3,952,210
1937	.....	.....
	<u>\$3,939,245</u>	<u>99.66%</u>	

Note:

The above figures do not include land embraced within the boundaries of Blythe, Fertilla, Ripley and other subdivisions.

[197]

An additional amount of assessed values on the excepted subdivisions would bring the total to approximately four and one-half million dollars.

(Testimony of O. W. Malmgren.)

Over the objection of respondents on the grounds that the question assumes facts not in evidence and the testimony is incompetent and immaterial and calls for a conclusion, the petitioner introduced in evidence a schedule of unpaid and matured principal and interest as of September 1, 1937, as Exhibit 29. [198]

PETITIONER'S EXHIBIT NO. 29

is as follows:

PALO VERDE IRRIGATION DISTRICT
STATEMENT OF UNPAID AND MATURED
PRINCIPAL AND INTEREST AS OF
SEPTEMBER 1, 1937.

Bond Principal

Palo Verde Irrigation District—First Issue.....	\$ 5,000.00
Palo Verde Irrigation District—Second Issue.....	11,000.00
Palo Verde Mutual Water Company.....	170,000.00
Palo Verde Joint Levee District—First Issue.....	264,000.00
Palo Verde Joint Levee District—Second Issue	71,000.00
Palo Verde Drainage District.....	297,500.00
	<hr/>
Total.....	\$818,500.00

Bond Interest

Palo Verde Mutual Water Company.....	\$ 22,800.00
Palo Verde Irrigation District, 1st and 2d Issues	931,970.00
Palo Verde Joint Levee District, 1st and 2d Issues	469,999.21
Palo Verde Drainage District.....	343,507.00
	<hr/>
Total.....	\$1,768,276.21

(Testimony of O. W. Malmgren.)

Over said objection of respondents that the evidence was incompetent and immaterial and called for a conclusion of the witness, the witness testified that the aggregate amount of principal of the bonds now unpaid and past due was \$818,500 and the aggregate amount of interest on the same bonds which is now matured and past due amounted to \$1,768,276.21.

Over said objection of respondents that the evidence was incompetent and immaterial, assumes facts not in evidence, called for a conclusion of the witness, and was a hypothetical question not required under the evidence before the Court, the witness testified that the total amount of principal required to be levied would amount to \$931,500 and the total amount of interest required would be \$2,024,317.51, if a tax levy was required to pay all the principal and interest past due and unpaid and to mature during the current year, and the aggregate of those amounts would [199] approximate \$3,000,000. The tax levy which would be necessary to pay these amounts upon the 1937 assessed valuation of the district would amount to \$112.17 per hundred dollars of assessed valuation and after the payment of such assessment the amount of bonded indebtedness remaining unpaid would be \$3,242,830.36.

Over like objection of respondents that it was incompetent and immaterial, called for a conclusion of the witness and assumed facts not in evidence, a schedule showing the foregoing figures was intro-

(Testimony of O. W. Malmgren.)

duced in evidence as petitioner's Exhibit 30, reading:

PALO VERDE IRRIGATION DISTRICT

TAX RATE FOR 1937-38 PROVIDED COURT REQUIRED
TAX LEVY FOR ALL MATURITIES AND DELIN-
QUENCIES UNPAID AT THAT TIME.

Principal Payments

Palo Verde Mutual Water Company.....	\$170,000.00
Palo Verde Irrigation District—First Issue.....	20,000.00
Palo Verde Irrigation District—Second Issue.....	22,000.00
Palo Verde Joint Levee District—First Issue.....	266,000.00
Palo Verde Joint Levee District—Second Issue	71,000.00
Palo Verde Drainage District.....	382,500.00
Total.....	<u>\$931,500.00</u>

Interest Payments

Palo Verde Mutual Water Company.....	\$ 56,100.00
Palo Verde Irrigation District—First Issue.....	827,700.00
Palo Verde Irrigation District—Second Issue	101,760.00
Palo Verde Joint Levee District—First Issue..	487,603.41
Palo Verde Joint Levee District—Second Issue	163,554.10
Palo Verde Drainage District.....	387,600.00
Total.....	<u>\$2,024,317.51</u>

Principal Payments as shown above..... \$931,500.00

Interest Payments as shown above..... 2,024,137.51

Tax Rate of \$112.17 per \$100.00 computed on 1937
valuation.

Amount of Principal of present outstanding bond
issues remaining unpaid after payment of above tax
levy is \$3,242,830.36. [200]

(Testimony of O. W. Malmgren.)

The schedule of tax rates necessary beginning with the year 1937 to pay the regular maturities of principal and interest upon bond issues and general administrative overhead expense of the district for the tax years 1937 to 1945 inclusive, disregarding present delinquencies and using the assessed valuation of the 1937 roll, was introduced in evidence over respondents' objections as

PETITIONER'S EXHIBIT NO. 31

reading:

PALO VERDE IRRIGATION DISTRICT
SCHEDULE OF TAX RATES NECESSARY TO PAY REG-
ULAR MATURITIES OF PRINCIPAL AND INTEREST
PLUS GENERAL ADMINISTRATIVE OVERHEAD
EXPENSE FOR TAX YEARS 1937 TO 1945, INCLU-
SIVE, UNDER PRESENT BONDED DEBT, DISRE-
GARDING PRESENT DELINQUENCIES AND USING
ASSESSED VALUES FROM 1937 ASSESSMENT ROLL.

Year	Principal	Interest	Total Principal & Interest	Rate
1937	\$133,500.00	212,586.48	346,086.48	14.04
1938	152,000.00	204,116.48	356,116.48	14.41
1939	160,500.00	194,536.48	355,036.48	14.37
1940	183,500.00	184,191.48	367,691.48	14.85
1941	200,500.00	172,466.48	372,966.48	15.05
1942	212,000.00	159,976.48	371,976.48	15.09
1943	169,000.00	151,116.48	320,116.48	13.06
1944	170,000.00	140,771.48	310,771.48	12.69
1945	170,000.00	130,366.48	300,366.48	12.31
Irrigation District 1937 - - Assessed Valuation			\$3,117,583.00	
Less 15% for delinquencies.....				467,637.00
Net Valuation				\$2,649,946.00

(Testimony of O. W. Malmgren.)

The witness further testified that the tax rate for 1937-1938 is \$2 per hundred and the water toll rate \$3.50 per hundred. In 1936-37 the tax rate was \$1.75 per hundred with a water toll rate at \$4 per hundred. The 1935-36 tax rate was \$2.00 per hundred with the water toll rate at \$4.50 per hundred. The 1934-35 tax [201] rate was \$2.50 per hundred and the water toll \$5.00 per hundred.

It was stipulated that in the spring of 1934 at approximately the time when the Reconstruction Finance Corporation adopted its resolution in March 1, 1934, the district board appointed two committees for the purpose of devising ways and means to get 99.66 per cent of the tax-deeded land back on the assessment roll of the district and county. The committee [202] appointed members of the Board upon that subject and that committee of three or four members of the Board, a larger committee of some eight or ten or twelve property owners of the City of Blythe and of the farming area outside of the City of Blythe. Those committees proceeded separately to survey the conditions existing and drew up approximately eleven or twelve plans. The ultimate plan was adopted by the district Board on the first of July, 1934, was approved, with certain amendments by the Board of Supervisors of Riverside County on July 16, 1934, and as amended was approved by the District Board on July 17, 1934. It was thereafter approved by the Board of Supervisors of Imperial County, by the State Comptroller

(Testimony of O. W. Malmgren.)

of California and by the Reconstruction Finance Corporation and is represented by a plan of which a printed copy was introduced in evidence as

PETITIONER'S EXHIBIT NO. 32

which was substantially as follows:

Notice was given that the Palo Verde Irrigation District offered to sell, lease, or option a tax title which might be deeded to the State of California and to the district, to the respective former owners of the lands or their assigns. A copy of the rehabilitation plan was included which stated that the district proposed to purchase from Riverside and Imperial Counties the State title to all lands which had been deeded to both State and district and the district proposed to pay the county for each parcel approximately one-half per cent of the assessed valuation of the land when last on the county assessment roll. The district would publish and mail an offer for a period of 60 days to sell, lease, or option to the former owner or his assigns the state and district tax title to such land at a price of 5 per cent of the 1929 district assessed value of the land and 3 per cent of the 1929 assessed value of improvements plus the cost to the district of acquiring the state title. Then follows terms, and conditions of sale and the following statement "Disposition of Proceeds." [203] "All proceeds of sale, lease or option of district lands now delinquent for taxes will first be credited to the reserve fund required by the Reconstruction Finance Corporation up to

(Testimony of O. W. Malmgren.)

the required amount of \$60,220. Collections exceeding \$12,044 per annum for the first five years may be applied in the discretion of the board on extensions and betterments on the Irrigation, Drainage and Levee systems, payments on the Reconstruction Finance Corporation loan, or otherwise as the board may determine." The plan further stated "a standby charge will be collected from all land in the district, except government land, to cover: (1) interest and principal on Reconstruction Finance Corporation loan; (2) general administration; (3) river control, levee operation, and maintenance."

A notice of the offer to all former owners of lands in the district was published and copies of the printed plan were mailed and delivered to all former owners appearing upon the tax roll. During the 60-day period permitted by the plan applications were received from former owners and their assigns and other qualified persons to purchase from the district, the district and state tax titles to approximately 49,000 acres of the 89,000 acres of land in the district. Agreements to sell these tax titles to the former owners were executed between the district and the applicants to approximately that acreage of the district. Those proceedings were carried on by the district during 1935.

On January 14, 1936, the district board by resolution offered a second opportunity to former owners to repurchase their land. A second rehabilitation plan was drafted and a notice published offering

(Testimony of O. W. Malmgren.)

to sell the land to the former owners about January 24, 1936, and the period of application was thirty days until February 24, 1936. In the second plan the price was raised from 5 per cent to 25 per cent of the 1929 assessed valuation. Only three applications were finally completed under this plan covering three pieces of land. A printed copy of the second plan, and a notice of offer was introduced [204] in evidence as petitioner's Exhibit 33. This exhibit was substantially the same as Exhibit 32 with the exceptions hereinbefore noted, and stated:

PETITIONER'S EXHIBIT NO. 33

“Disposition of Proceeds. The District Service Charge of \$5.00 per acre shall be applied so far as necessary to the cost of procuring the State tax title and the cost of engineering service to be rendered by the District. All remaining collections may be applied, in the discretion of the Board, on extensions and betterments of the irrigation, drainage and levee systems, payments on the R.F.C. loan, or otherwise, as the Board may determine.”

“Standby Charges. A standby charge will be collected upon all land in the District except Government land, to cover:

(1) Interest and principal on R.F.C. loan, (2) General administration, (3) River control, levee operation and maintenance.”

There were thus left in the ownership of the district approximately 40,000 acres of the tax-deeded land which had not been disposed of under the first and second plan.

(Testimony of O. W. Malmgren.)

On October 16, 1936, the district by resolution offered these tax-deeded lands to the public irrespective of former ownership under a third plan, which was approved by the Board of Supervisors of Riverside County, the State Controller, and the Reconstruction Finance Corporation. Incidental to the plan, the district Board instructed its attorneys to file quiet title suits to those 40,000 acres. A copy of the third plan was introduced in evidence as petitioner's Exhibit 34 which provided for sale at public auction at a minimum price of ten per cent of the 1929 or last prior District assessed value of the land and improvements, and stated:

PETITIONER'S EXHIBIT NO. 34

Standby Charges. A standby charge will be collected by assessment from all land in the District, except government land, to cover: (1) interest and principal on R.F.C. loan; (2) general administration; (3) river control, levee operation and maintenance. Until the land is returned to the assessment roll, the standby charge will be based on last District assessed value, but will be collected under the contractual provisions of contracts executed [205] by the District."

(The stipulation was so far accepted subject to the objection that the evidence was incompetent and immaterial.) Up to this time the quieting of title has proceeded to the point where approximately 16,-

(Testimony of O. W. Malmgren.)

500 acres of lands have been quieted as to title. Four thousand five hundred acres of the land have been resold by the district to the purchasers under the third plan at an aggregate price of approximately \$35,000 or a shade less than \$8 per acre. Practically all of this 40,000 acres balance is unimproved brush land and probably 15,000 acres of it is waste land.

A statement bearing the title Palo Verde Valley Irrigation District fund statement, November 9, 1937, was introduced in evidence over objection of respondents that it was incompetent and immaterial as

PETITIONER'S EXHIBIT NO. 35.

This Exhibit is as follows:

County Treasurer	\$40.81
Citizens National Trust & Savings Bank	
Water Toll	\$16,263.62
Standby Account	19,267.70
Contingent Account	7,094.27
Repurchase Account	43,857.47
Tax Collector's Account.....	482.53
Reserve Account	12,044.00
	<hr/>
	\$99,009.59
Total Funds in Bank	
(Checking Account \$9,921.59)	
(Time Deposit Account 89,088.00)	
Cash on Hand.....	100.00
Total Funds, November 9th, 1937.....	\$99,150.40

Then follows statement of collections during the years 1936 to 1938 making tthe total budget from October 16, 1936 to October 15, 1937, \$145,742.04; then follows statement of expenditures.

(Testimony of O. W. Malmgren.)

The witness testified that the term "standby" is a designation popularly used for the annual district tax and that the term "Repurchase" designates moneys received from sale of land under the three rehabilitation plans. [206]

It was stipulated, subject to respondents' objection that it was immaterial and incompetent, that the items which this witness had testified to as the annual tax of 1934 to 1937 inclusive has been made to cover the following three items: Interest due to the Reconstruction Finance Corporation in accordance with the two contracts dated August 7, 1934, which are in evidence (Exhibits 19 and 20) being at the rate of 4 per cent on the amounts of money paid out by the Reconstruction Finance Corporation; general administration and overhead of the district; and river control, levee operation and maintenance. The tax levy resolutions and budget estimates adopted by the Board during the succeeding years of 1935, 1936, and 1937, were substantially similar. [207]

O. W. Malmgren proceeded to testify that the water toll was levied from 1934 to 1937 for the purpose of paying ordinary maintenance and operating charges and management expense of the district. None of the water toll money is applied to either interest or principal nor to the Reconstruction Finance Corporation. Moneys derived from the district tax and applied upon the Reconstruction Finance Corporation obligation are handled by

(Testimony of O. W. Malmgren.)

deposits in a local bank under the name of the Palo Verde Irrigation District, and when the items come due they are paid by district vouchers signed by the assistant secretary and manager pursuant to resolution of the Board.

Moneys paid upon any of the rehabilitation plans are deposited in the local bank and applied first to pay the expenses of the plans such as clearance of titles and surveys of the land. If there is any necessary construction cost to deliver water to such lands it is applied to that. Then in addition to that a certain reserve account is set up for the Reconstruction Finance Corporation obligation as set forth in the two contracts on file in this case. No portion of these funds are, or any time were, ever paid to the county treasurer for application upon the coupons of the bonds of these agencies or paid to any bondholders on such obligations. A portion of these funds have been paid to the Reconstruction Finance Corporation as interest.

There has been a small surplus so far after payment of expenses of the plans and this surplus has been deposited in the district's bank account in the repurchase fund in the general fund of the district. This fund is shown in Exhibit 27 as "\$407.56 redemption." Funds received under the so-called ten-year plan are apportioned to the various accounts depending upon the tax years involved and covered by a regular tax collector's apportionment and then the funds remitted to the county treasurer. The \$407

(Testimony of O. W. Malmgren.)

involves a ten-year period of collection and only a certain [208] part of that period has expired to date and practically everything of that fund which has been collected has been remitted to the Treasurer.

Tax sales, as the witness understands it, are automatically cancelled or void upon the issuance of a district tax deed. Upon sales of the tax-deeded land, assessments are made on the land and the purchaser undertakes obligations of paying the assessments. No assessments on personal property have been made within the district within the last several years.

With reference to the payment to the Reconstruction Finance Corporation including and since 1934, interest has been paid every six months by the district. The interest amounts to 4 per cent on roughly the amount of money that the Reconstruction Finance Corporation disbursed. The money is paid to the Los Angeles Branch of the Federal Reserve Bank of San Francisco and is paid by the district through the account of the district in the local bank. Receipts are sent for payments. When annual assessments have been made for the past four years no communication from the Reconstruction Finance Corporation relative to their demand or request or position as to the assessment that should be made for their obligation has been received by the district and the assessment is calculated and levied solely by the Board without written instruction

(Testimony of O. W. Malmgren.)

from the Reconstruction Finance Corporation or its agent, the Federal Reserve Bank. Other than those assessments made from 1934 to 1937, no assessments have been made by the Board since 1932-33 for bond interest or redemption.

It was stipulated that prior to the district's taking tax deeds to 99.68 per cent of the lands in the district there had existed upon certain lands in the district mortgages and trust deed liens.

Respondents read into evidence from the Official Minute [209] Book of the Palo Verde Irrigation District Board of Trustees, including the following from page 237:

“Whereas, California Districts Securities Commission, by its order and report designated ‘Order No. 8—Approving Refunding Plan and Issuance of Refunding Bonds’, dated May 4th, 1934, did approve the plan for issuance of refunding bonds set out in resolutions of this Board of Trustees, dated April 17th, 1934, and May 1st, 1934; and

“Whereas, in and by said order and report and, in particular, by paragraph numbered (3) thereof, it is provided as follows:

“(3) That said refunding bonds be issued to repay the Reconstruction Finance Corporation for equal amounts of loans provided by said Corporation for the payment of the said District's present outstanding indebtedness in accordance with Section 11 of the act entitled:”

(Testimony of O. W. Malmgren.)

From page 294 of the Minute Book, Minutes of Adjourned Meeting of Palo Verde Irrigation District, August 29, 1934, respondents read from a resolution adopted there by the Board as follows: "Whereas, among said changed conditions is the fact that party of the first part has been granted a certain loan in the amount of approximately \$1,039,000 by the Reconstruction Finance Corporation upon terms which might interfere with the carrying out of said lease dated August 18, 1932, and said Reconstruction Finance Corporation was expected in the near future to consummate said loan.

From page 325 of the minutes of a meeting of October 2, 1934, of the Board which is a resolution for the cancellation of the Florence Clark lease, the following was read in evidence: "Whereas, the Reconstruction Finance Corporation has heretofore authorized a loan to the Palo Verde Irrigation District in the amount of \$1,039,423, to enable said district to reduce and [210] refinance its outstanding indebtedness, and the same advance from the Reconstruction Finance Corporation to Palo Verde Irrigation District is about to be made under said loan agreement," and then the resolution provides for the cancellation.

It was stipulated the respondents had present in Court an original bond of the Joint Levee District, being No. 176, for the principal amount of \$1,000, due November 1, 1942; that Mr. J. R. Mason, one of the respondents, was present in court and would testify that it was his bond and that it was unpaid

(Testimony of O. W. Malmgren.)

and the bond was offered in evidence with the stipulation that it should be withdrawn or replaced by a photostatic copy of a bond in substantially the same form. (End of stipulation.)

A photostatic copy was received in evidence as

RESPONDENT'S EXHIBIT G,

which reads as follows:

United States of America
State of California

Number	Number
1237	1237
\$1000	\$1000

BOND OF PALO VERDE JOINT LEVEE
DISTRICT OF RIVERSIDE AND IMPERIAL
COUNTIES, CALIFORNIA

PALO VERDE JOINT LEVEE DISTRICT

of Riverside and Imperial Counties, California, situated in the Counties of Riverside and Imperial, State of California, for value received hereby acknowledges itself indebted and promises to pay the holder of this bond on the 1st day of May, 1957, at the office of the Treasurer of the County of Riverside, in the City of Riverside, State of California, the sum of One Thousand Dollars (\$1,000) in gold coin of the United States with interest at the rate of six and one half per cent ($6\frac{1}{2}\%$) per annum, payable semi-annually on the 1st day of November and the 1st day of May of each and every year from

(Testimony of O. W. Malmgren.)

and after the date hereof, at the office of the treasurer aforesaid on presentation and surrender of the interest coupons hereto attached, until this bond is fully paid. This bond is issued by the Board of Supervisors of said County of Riverside in conformity with the resolution of said Board dated the 24th day of April, 1918, and under the authority conferred upon the said Board by the provisions of the Act of the Legislature of the State of California, entitled "An Act authorizing levee districts of the [211] State to incur a bonded indebtedness for the purpose of building, constructing, or repairing levees of the district; or for excavating and constructing ditches or canals of such districts, or for the purpose of acquiring rights of way for any such levees, ditches, or canals; or for any and all of said purposes." Approved March 8th, 1911, and also by the provisions of the act of the Legislature of the State of California entitled "An Act to amend sections one, two, three, five, seven, eight, nine and ten of an act entitled 'An Act authorizing levee districts of the State to incur a bonded indebtedness for the purpose of building, constructing, or repairing levees of the district, or for excavating and constructing ditches or canals of such district; or for the purpose of acquiring rights of way for any such levees, ditches, or canals; or for any and all of said purposes,' approved, March 8th, 1911, and adding thereto four new sections designated as sections eight-a, eight-b, eight-c and eleven." Approved May

(Testimony of O. W. Malmgren.)

22nd, 1917. It is hereby declared that said Palo Verde Joint Levee District of Riverside and Imperial Counties, California, is a levee district duly created, organized, established, and Incorporated, in strict conformity to the laws of the State of California relating thereto. It is further declared that a majority of the qualified electors of said levee district voting at a special election held therein on the 30th day of January, 1918, which said election was held to determine whether bonds of said levee district in the amount of \$1,285,951.86 should be issued and sold for the purpose of raising money for the purposes described in said acts, voted in favor thereof. It is hereby further declared that said election was duly called, duly held and duly conducted and the notices thereof duly given and the result thereof duly canvassed and declared in accordance with the provisions of the acts above mentioned and that all other proceedings of the Board of Trustees of such Palo Verde Joint Levee District of Riverside and Imperial Counties, California, and of the Board of Supervisors of Riverside County in the matter of the issuance of the bonds were regular and in strict accordance with the provisions of the said acts above mentioned and of the Constitution of the State of California; and that the total bonded indebtedness of said District authorized at such election does not exceed the entire estimate of the expense of the work planned and the cost of the maintenance of said work for one year after the

(Testimony of O. W. Malmgren.)

date of their completion. This bond is in the form prescribed by order of said Board of Supervisors, duly made and entered in its minutes on the 24th day of April, 1918, and in substantial conformity to the form prescribed by said acts and this bond shall be payable out of the bond fund of said Palo Verde Joint Levee District of Riverside and Imperial Counties, California, and the money for the redemption of said bond, and the payment of the interest thereon, shall be raised by taxation upon the taxable property of the district.

In Witness Whereof, the said Board of Supervisors has caused this bond to be signed by its chairman and by the Auditor of said County, with the seal of his office attached, this 1st day of May, 1918.

[Seal]

T. F. FLAHERTY,

Chairman of the Board of
Supervisors County of
Riverside.

Attest:

CHAS. O. REID,

Auditor of Riverside County. [212]

Coupons attached to the foregoing exhibit read as follows:

\$32.50

[Emblem]

Coupon No. 34

On the First Day of May, 1935, The Treasurer of the County of Riverside, State of California,

(Testimony of O. W. Malmgren.)

will pay to the holder hereof, out of the Bond fund of the Palo Verde Joint Levee District of Riverside and Imperial Counties, California, at his office in the City of Riverside in said County, the sum of Thirty Two and 50/100 Dollars (\$32.50) for interest on Bond of said District.

Dated May 1, 1918.

D. G. MITCHELL,

Treasurer of Riverside County.

\$32.50

No. 1237 [213]

CHARLES R. STEBBINS

was called as a witness by petitioner and testified that he was County Tax Collector of Riverside County and had been such for twenty-five years. A statement headed "Riverside County Tax Delinquencies in the Palo Verde Irrigation District, Fiscal years 1929 to 1936, inclusive" was offered in evidence as petitioner's Exhibit 36, reading:

(Testimony of Charles R. Stebbins.)

RIVERSIDE COUNTY TAX DELINQUENCIES IN PALO VERDE IRRIGATION DISTRICT, FISCAL YEARS 1929 TO 1936, INCLUSIVE.

Fiscal Year	County tax Levied	Amount Paid to Delinquent Date of Second Instalment	Percentage Paid	Percentage Delinquent
1929	145,855.55	22,390.51	15.3%	84.7%
1930	147,216.43	53,006.19	36 %	64 %
1931	136,382.78	33,903.61	24.8%	75.2%
1932	124,536.91	15,941.82	12.8%	87.2%
1933	100,249.61	12,221.82	12 %	88 %
1934	103,422.97	15,588.64	15 %	85 %
1935	90,309.38	79,913.50	88.5%	11.5%
1936	68,866.99	61,508.10	89.3%	10.7%
Total	\$916,840.62	294,474.19		

Note: This schedule has been prepared by deducting from figures compiled in this office relating to Palo Verde School District the amounts, being 4.5%, by which such figures exceed the actual figures relating to Palo Verde Irrigation District and, as so made up, is true and correct. Only nominal redemptions have been made since the delinquent dates above shown.

C. R. STIBBENS
 County Tax Collector
 Riverside County.

A statement of percentages of Palo Verde Irrigation District land deeded to the State of California for payment of County [214] taxes for the years 1930 to 1937, inclusive, was introduced in evidence as

PETITIONER'S EXHIBIT No. 37,
 reading as follows:

(Testimony of Charles R. Stebbins.)

RIVERSIDE COUNTY COMPARATIVE
STATEMENT OF LAND IN PALO VERDE
IRRIGATION DISTRICT DEEDED TO
STATE OF CALIFORNIA FOR NON-
PAYMENT OF COUNTY TAXES, IN
YEARS 1930 TO 1937, INCLUSIVE.

Year	Value on 1929 County Assessment Roll of Land Deeded to State	Percentage Deeded	
1930	\$160,520	8 %	
1931	97,200	4.8%	
1932	92,370	4.6%	Total assessed value of lands in District on 1929 County Assess- ment Roll \$1,995,210
1933	80,670	4 %	
1934	145,970	7.3%	
1935	154,130	7.7%	
1936	329,730	25 %	
1937	262,500	20 %	
Total	\$1,323,090	81.4%	

W. D. WAGNER

was called as a witness for petitioner and testified that he resided in San Francisco and that he had been Deputy Auditor of San Bernardino County from 1890 to 1896 and County Auditor from 1896 to 1908, secretary to the California Railroad Commission from 1908 to 1912, director of Institutions of the State of California for four years, secretary and manager of the Merced Irrigation District from 1919 to 1922, and since 1921 has been secretary of the California Irrigation Districts Association com-

(Testimony of W. D. Wagner.)

posed of about 101 irrigation, reclamation, and county water districts. Since October 1933 until the present time he has also been appraiser for the Drainage, Levee, and Irrigation Division of the Reconstruction Finance Corporation; that he was generally familiar with all irrigation districts in California.

He has appraised irrigation districts for the Reconstruction Finance Corporation over California, Arizona, Nevada, [215] Oregon, Washington, and Idaho and made actual appraisals of approximately 75 and investigations of probably 30 to 40 additional districts. His appraisal reports have been submitted to the division for consideration in connection with application of those districts for loans. He first visited the Palo Verde Irrigation District ten or twelve years ago and has visited it eight or ten times altogether. He has developed a method of appraisal and analysis of the financial condition of the districts. He first appraised the economic conditions of the district and its financial affairs for the Reconstruction Finance Corporation in October or September of 1933. He went into the district, and examined the records, minute books, financial statements, crop records, ascertained the total number of acres, the total number of acres that are cultivated, and made an estimate of the number of acres which are irrigable; the adequacy and permanency of the water supply and the canal system and condition of the works are investigated as well

(Testimony of W. D. Wagner.)

as the drainage and levee system; studied canals, drainage situation and sufficiency of the levees. He interviewed many farmers as to what they have raised and their records of crop production. Thus he estimated the ability of the land to pay assessments, taking the record as to what the land had done and applying it to the average value of the crops. He went back a number of years on production and prices estimating what the farmers would have made with normal prices. He did not take as the ability of the land to pay what he had been able to pay the last few years, for if he had done so there would have been absolutely no loan value, because the farmers had not made sufficient money even to pay the ordinary operating expenses of the district, let alone anything for bond service. Appraisal was made on the basis of assumed normal prices for crops, and the witness stated that it was assumed in making the loan and the appraisal that prices would get better and farmers would be able [216] to sell their crops at a profit.

After arriving at the total number of acres that will be able to pay that is multiplied by the figure arrived at as the ability of the land to pay. Over the objection of the respondents, the witness testified that he had arrived at a figure of 40,000 acres that will be able to pay \$7 a year for all taxes, assessments, maintenance, and operation, which would amount to \$280,000. Out of this sum \$180,000

(Testimony of W. D. Wagner.)

is necessary for maintenance and operation. From the balance of \$100,000 must be deducted county and school taxes because those taxes must be paid. That leaves a balance of \$60,000 a year which can be applied to principal and interest upon bonds. On a loan bearing 4 per cent interest amortized over a period of 30 years, this figures out to 5.78 per cent per annum, which will make a total over a period of 30 years of \$1,038,042, which is the total amount this land can pay over a period of 30 years. The witness made a re-examination of the district in 1937. He again examined the district records, minutes and tax conditions, viewed the canals, drains and levees and crop conditions. If an appraisal has been made this year he doubts if he would have recommended as high a loan. On a 6% interest basis the present ability of the district to pay bonds would be \$824,000. A thirty-year basis for amortization was adopted because the Reconstruction Finance Corporation has generally adopted a period of 33 years as the length of the loan with nothing but interest to be paid for the first three years. This is a reasonable period to adopt in re-financing an agricultural district such as this.

It was stated for the record that the City of Blythe was subject to tax for all obligations for the former Levee District and all obligations of the Irrigation district but not subject to tax for the bonds and interest of the former Drainage District nor for the maintenance and operation of drains.

(Testimony of W. D. Wagner.)

The witness stated that he gave minor consideration to Blythe because it is a very [217] small portion of the district.

The witness testified further that very minor consideration was given to the value or future value of the land in the district because it was his opinion that the value of the land has nothing to do with the ability of the land to pay. The entire income of the district is derived from the products of the soil. Consideration was given to the need for capital expenditure for improvements and betterments to the irrigation system and particularly to the drainage system. The drainage conditions were bad. They are today in far worse condition than in 1933. He took into consideration the delinquent county taxes, and it was his understanding and had great weight, that the County of Riverside had agreed to cancel something like \$725,000 of county taxes for approximately \$6,000 which he understood later amounted to something around \$10,000. It was the conclusion of the witness that all of the outstanding bonds of the district would be refinanced and cancelled and that the total outstanding debt of the district would be the loan from the Reconstruction Finance Corporation. He stated that he knew of no other place in the financial world where the district could get a thirty-year loan at 4%.

(Testimony of W. D. Wagner.)

On

Cross Examination

the witness testified that at the other hearing of the matter in the Federal Court he testified that he only considered the value of the lands incidentally in an appraisal because the Reconstruction Finance Corporation is not in the business of taking over lands and in making his appraisal [218] he took the district as it existed in 1933 and estimated what the conditions were apt to be in the future. No man can tell the ability of the land to pay, but an assumption has to be made of prices of commodities. At the former hearing he also testified that it was not necessary to estimate the total value of the crops in the entire valley but he had to take an average over the whole district.

The witness as secretary of the Irrigation District Association of California made a report in 1928 at the request of some banks, bond houses and of bond brokers and at their cost, with a little profit to the Association. Most of the data in the report is from information furnished by the districts. The statement on page three is correct reading "pursuant to instructions given me at the last meeting of the association I have visited nearly all of the irrigation districts in the state, practically all of those functioning and some of those that are not." Respondents also read from page 22 of the report headed "Palo Verde Irrigation District organized

(Testimony of W. D. Wagner.)

under Palo Verde Irrigation District Act of October 27; it contains 88,697 acres of which 79,056 acres are *irrigatible* and 36,135 are irrigated. The population of the district is 7,000; assessed valuation of the district is \$5,000,000 leaving out the odd figures; and the rate is \$13.48. The estimated value of the district is \$11,000,000.”

Respondents introduced in evidence as their Exhibit H a letter dated June 18, 1934, headed “Reconstruction Finance Corporation” bearing the purported signature of Emil Schram, chief of the drainage, levee, and irrigation district, addressed to J. Rupert Mason, San Francisco. Said Exhibit H reads as follows:

RESPONDENT'S EXHIBIT H

Re: Docket No. Ref. 92

Dear Sir:

Your letter of June 14, has received careful consideration but you appear to have overlooked that part of the last paragraph of my letter of June 4th to Mr. James H. Jordan, of Riverside, [219] to which you refer, where I say “the activities of this Division are controlled by the provisions of Section 36 of the Emergency Farm Mortgage Act.”

Regardless of the merits of the contention that the Palo Verde Irrigation District is entitled to reimbursement from the Federal Treasury for *post* expenditures for flood control, the Reconstruction

(Testimony of W. D. Wagner.)

Finance Corporation has no authority to make any such reimbursement. We are endeavoring to do our best to render the aid authorized by Congress and if additional action should be taken by Congress for the relief or further development of the above district that body is the one to approach and not the Reconstruction Finance Corporation.

You evidently also overlooked the fact that the Federal Land Banks in refunding mortgage indebtedness are not required to effect reductions in applicant's outstanding indebtedness, by Section 36, Part 4, of the Emergency Farm Mortgage Act of 1933, as amended, specifically requires that refunding loans from the Reconstruction Finance Corporation to agricultural improvement districts made under the power granted therein shall bring about a "substantial reduction" in the amount of outstanding indebtedness of applicant districts.

Please understand there is no disposition on the part of the corporation to force any bondholder to accept the settlement offered by any district under the terms of a refinancing loan authorized by it. In passing on applications we endeavor to determine the amount which land within applicant districts can pay in the way of taxes and assessments for operations, maintenance and service of the proposed loan and if our conclusions are correct, bondholders can not expect to receive through any other method of collection more than our loan contemplates when the prompt cash settlement and other advantages are taken into consideration.

(Testimony of W. D. Wagner.)

Mr. Wagner further testified that school bonds, county bonds, and city bonds of the City of Blythe were taken into consideration in arriving at the ability of the lands to pay. The record at that time showed the tax at approximately \$2.08 per acre for county, school, and road tax, and since then the county has reduced the assessed valuation more than 50 per cent with the result today that the county and school taxes are about \$1.02 or \$1.03 an acre. He did not recall that there were any school bonds, county bonds, or city bonds outstanding at the time of the appraisal but if there were, they were taken into consideration. In considering such school bonds, city bonds, and county bonds he did not assume that they were going to be reduced by 50 or 75 per [220] cent. He wouldn't say that such bonds stood in any different relation than the irrigation bonds to the ultimate payer which is the landowner. He assumed that district operation and maintenance taxes and county taxes must be paid. The irrigation district bonds were selected as the ones that must be cut down or scaled down because he had under consideration an application from the Irrigation district for a loan from the Reconstruction Finance Corporation to reduce the irrigation district's bonded indebtedness. If in ten or fifteen years, 20,000 acres of productive land are added to the district that would make a difference in the district's ability to pay the bonds. But in the witness' judgment that was not possible. He had taken 40,000 acres as the maximum acreage to be cultivated in that district.

(Testimony of W. D. Wagner.)

He considered that an appraiser, taking as a basis normal prices for products, can fix a value for the bonds that will be fair 15 to 20 years from now. It was true that he had testified in the other proceeding in the Federal Court that, assuming the land is all clear the land in the district would be worth \$70, \$75, or \$80, speaking of clear and improved land. The land in 1933 had no sale value whatever. The average cost of clearing brush, leveling the land for irrigation, ditching it, and putting it in a condition to be farmed would run anywhere from \$20 to \$50 an acre, possibly some of it higher.

A written stipulation of facts was introduced in evidence as

RESPONDENT'S EXHIBIT I.

This exhibit was as follows:

On March 29, 1935, the Palo Verde Irrigation District filed a petition in the U. S. District Court, for the Southern District of California, Central Division, being cause No. 25394-C therein, for readjustment of debts under the provisions of Sections 78, 79 and 80 of the Bankruptcy Act of 1898 of the United States. This petition set forth the organization of the Mutual Water Company on March 9, 1909; the execution of the deed of trust dated February 1, 1916, as security for payment of the coupon bonds in the [221] amount of \$500,000 referred to in the petition herein, and that pursuant to the provisions of Sec. 11 of the Palo Verde Irri-

(Testimony of W. D. Wagner.)

gation District Act the Mutual Water Company transferred its irrigation system to the Palo Verde Irrigation District by deed dated December 1, 1925. The petition also set forth the organization of the Levee [222] District on June 17, 1914, and issuance of its bonds herein set forth, organization of the Drainage District referred to in these proceedings on August 16, 1921, and further set forth in its petition the merger thereof in the Palo Verde Irrigation District, and subsequent issue of bonds by the Palo Verde Irr. District. The petition also set forth that the district was unable to meet its debts as they matured and desired to effect a plan of readjustment under the Bankruptcy Act of 1898, and that it desired to effect a plan of readjustment of its debts, and alleged that the Reconstruction Finance Corporation owned and held more than 94% in amount of the securities referred to, which consisted of the same securities that are described in the petition in this cause, and set forth that said Reconstruction Finance Corporation on February 26, 1935, in writing accepted the said plan of readjustment; that the plan set forth in said petition provided substantially the same terms as to bondholders as the plan in the instant case, and said acceptance was executed by the Reconstruction Finance Corporation on said date, and stated that the said corporation accepted the plan of readjustment and consented to the filing of the petition in the U. S. District Court, and stated that said cor-

(Testimony of W. D. Wagner.)

poration owned approximately 95% of the outstanding indebtedness of said district, consisting of bonds of the Palo Verde Mutual Water Company, Palo Verde Joint Levee District of Riverside & Imperial Counties, California, first issue; Palo Verde Joint Levee District second issue, Palo Verde Drainage District, Palo Verde Irrigation District first and second issues. The plan referred to proposed delivery to each of the owners of the bonds refunding bonds in the principal amount equal to 24.81 per dollar of the principal amount of the various issues of bonds.

The petition further recited that a correct list of the non-creditors was attached, which included those who are respondents in this cause, together with a description of their claims, [223] which is still substantially the same; that said plan was proposed by the Board of Trustees of the District on January 22, 1935, and approved by the California Districts Securities Commission on March 27, 1935; that said petition further referred to the actions of respondents Jordan, Covell, Mason, First National Bank of Tustin and Abadie, which actions are still pending, and the district in its petition prayed that the plan be confirmed and that the several parties to the actions referred to be restrained from proceeding with their actions. All of these actions were actions upon the bonds and coupons of the several creditors against the district, and upon the filing of the petition the court made an order ap-

(Testimony of W. D. Wagner.)

proving it as properly filed and issued a restraining order restraining the creditors in said actions from proceeding with their actions to enforce payment of their bonds and coupons. An order to show cause was issued out of said court and upon return was made permanent. That the several creditors referred to, namely, Jordan, Covell, Mason, First National Bank of Tustin and Abadie, filed answers in said cause, and the same came on for trial and was heard before the court and tried upon the merits and subsequently submitted, and then under date of December 8, 1936, the Honorable George Cosgrave, U. S. District Judge, caused to be entered in the records of said United States District Court a judgment of dismissal dismissing the said cause on the grounds of the unconstitutionality of the so-called municipal bankruptcy act, being Sections 78-80 of the Bankruptcy Act of 1898. That during the pendency of said cause and until the dismissal thereof on December 8, 1936, the said causes, numbers 25560, 25561, 25579, 25587, 25588, 25594 and 26604, and all other actions of bondholders of the Palo Verde Irrigation District or those districts which had been merged with it, were restrained by order of the U. S. District Court, and during said period of time any action seeking to collect bonds or coupons of said district or to enforce [224] levy of assessments on behalf of bondholders was enjoined and restrained by the said U. S. District Court.

(Testimony of W. D. Wagner.)

That subsequently Palo Verde Irrigation District appealed from the said order of dismissal to the U. S. Circuit Court of Appeals, Ninth Circuit, which appeal was subsequently dismissed by the U. S. Circuit Court of Appeals.

Statement of Claims of Creditors.

The creditors who have appeared in this cause, namely, James H. Jordan, J. R. Mason, Geo. F. Covell, L. F. Abadie, C. F. Veysey and First National Bank of Tustin, California, if present in Court would testify that they are respectively the owners and holders of the bonds and coupons of the Palo Verde Irrigation District, Palo Verde Joint Levee District of Riverside and Imperial Counties, California, and Palo Verde Drainage District, as set forth by them in their several answers herein and that this statement may be considered as evidence. This stipulation as to the interests of said creditors is made subject to the requirement that said creditors produce said bonds and coupons before any exchange for the benefits offered by the plan may be effected.

There are pending at this time in the courts of this state actions by said creditors, as follows:

Action No. 2251, in the Justice's Court of Riverside Township, Riverside, Calif., entitled "James H. Jordan, Plaintiff, v. Palo Verde Irrigation District, et al., Defendants", being an action at law to recover a judgment in the amount of \$720.00 on coupons alleged to be owned by the plaintiff.

(Testimony of W. D. Wagner.)

Action No. 25561, pending in the District Court of Appeal, Fourth Appellate District, entitled "James H. Jordan, Plaintiff, v. Palo Verde Irrigation District and Palo Verde Drainage District, Defendants", being numbered 1595 therein, on appeal from the Superior Court of Riverside County, wherein the [225] plaintiff secured a judgment against the Palo Verde Drainage District on March 12, 1935, in the sum of \$720.00, with interest and costs, and which said cause has never been determined on appeal, and which said cause is also pending against the Palo Verde Irrigation District.

Action No. 25560, entitled "James H. Jordan, Plaintiff, v. Palo Verde Irrigation District and Palo Verde Joint Levee District of Imperial and Riverside Counties, California, Defendants", now pending on appeal in the Fourth Circuit Court of Appeals, and numbered therein 1594, having been appealed from the Superior Court of Riverside County, and wherein on March 12, 1935, the plaintiff secured a judgment in the sum of \$11,380, with interest and costs, against the Palo Verde Joint Levee District of Riverside & Imperial Counties, California, and which cause has never been determined on appeal, and in which said cause judgment was obtained against the Palo Verde Irrigation District on March 17, 1937, for \$11,380.00.

Action No. 28882, entitled "James H. Jordan, Plaintiff, v. Palo Verde Irrigation District and Palo Verde Drainage District, Defendants", pend-

(Testimony of W. D. Wagner.)

ing in the Superior Court of Riverside County, being an action to recover a judgment at law for \$3420, costs and interest.

Action No. 28883, entitled "James H. Jordan, Plaintiff v. Palo Verde Irrigation District and Palo Verde Joint Levee District, Defendants", pending in the Superior Court of Riverside County, being an action at law to recover the sum of \$8860, interest and costs.

Action No. 25588, entitled "First National Bank of Tustin, Plaintiff, v. Palo Verde Irrigation District and Palo Verde Drainage District, Defendants", now pending in the District Court of Appeal, Fourth District #1596, on appeal from the Superior Court of Riverside County, being an action to [226] recover judgment in the sum of \$1440, interest and costs against the Palo Verde Drainage District, which appeal is undetermined and in said cause judgment was obtained against the Palo Verde Irrigation District on March 17, 1937, for \$1440.00 and \$9.25 costs.

Action No. 28881, entitled "First National Bank of Tustin, Plaintiff, v. Palo Verde Irrigation District and Palo Verde Drainage District, Defendants", now pending in the Superior Court of Riverside County, being an action at law to recover \$7080, interest and costs.

Action No. 2204, pending in the Justice's Court, Riverside Township, Riverside, California, entitled "C. F. Veysey, Plaintiff, v. Palo Verde Irrigation

(Testimony of W. D. Wagner.)

District, Defendant", being an action at law on coupons of the Palo Verde Irrigation District, in the amount of \$660.00.

That in all of the foregoing actions pending in the superior court, further procedure by the court has been stayed by an order based upon Section 5 of the Irrigation District Refinancing Act, issued by virtue of the pendency of the proceedings in this cause.

The following actions are also pending:

Action No. 25594, entitled "L. F. Abadie, Plaintiff, v. Palo Verde Irrigation District, Defendant", pending in the Superior Court of Riverside County, being an action at law to recover \$3600.00 on unpaid coupons of the Palo Verde Irrigation District, wherein the default of the defendant for failure to answer was entered, and subsequently on August 24, 1937, the default was set aside by order of this court because of the pendency of these proceedings.

Action No. 25579, entitled "George F. Covell, Plaintiff, v. Palo Verde Irrigation District and the County of Riverside and the County of Imperial, Defendants", being an action at law to [227] recover \$2700, with interest and costs, upon coupons of bonds owned by the plaintiff, wherein the plaintiff requested the entry of default by the clerk for failure of the defendant Palo Verde Irrigation District to answer, and wherein the clerk has refused to enter default by virtue of the pendency of these proceedings.

(Testimony of W. D. Wagner.)

Action No. 25589, entitled "J. R. Mason, Plaintiff, v. Palo Verde Irrigation District and Palo Verde Joint Levee District of Riverside and Imperial Counties, California, Defendants", being an action at law pending in the Superior Court of Riverside County against said defendants for the recovery of judgment in the sum of \$8427.50, with interest and costs, upon bonds and coupons of the plaintiff of said districts, wherein the plaintiff requested the clerk to enter default of the defendant Palo Verde Irrigation District for failure to answer, but the clerk refused to enter default because of the pendency of these proceedings.

Action No. 29895, entitled "J. R. Mason, Plaintiff, v. Palo Verde Irrigation District, Palo Verde Joint Levee District of Riverside and Imperial Counties, and County of Riverside, Defendants", pending in the Superior Court of Riverside County, being an action at law to recover \$2437.50, costs and interest upon a bond of the Levee District and coupons detached from Levee District bonds, which said cause is still pending.

There is also pending in the Superior Court of Riverside County an action, being action No. 28684, entitled "James H. Jordan, J. R. Mason, First National Bank of Tustin, California, a corporation, L. F. Abadie, and C. F. Veysey, Petitioners, v. Palo Verde Irrigation District, a public corporation, Board of Trustees of the Palo Verde Irrigation District, a public corporation, L. A. Hauser as Pres-

(Testimony of W. D. Wagner.)

ident of the Palo Verde Irrigation District, a public corporation, R. A. Grant as Vice-President of Palo Verde Irrigation District, a public corporation, Wayne Fisher [228] as Secretary of the Palo Verde Irrigation District, a public corporation, O. W. Malmgren as Assistant Secretary of the Palo Verde Irrigation District, a public corporation, O. W. Malmgren as Collector of Palo Verde Irrigation District, a public corporation, J. F. Reimer as Treasurer of Palo Verde Irrigation District, a public corporation, Citizens National Trust & Savings Bank (Blythe Branch) a corporation, A. Doe, B. Doe, C. Doe and D. Doe Company, Respondents", wherein petitioners filed a petition for writ of mandate and secured an alternative writ of mandate on December 29, 1936, reading in form, except for title of court and cause, as set forth, as follows:

The People of the State of California Send Greeting to the Palo Verde Irrigation District, a public corporation; Board of Trustees of the Palo Verde Irrigation District, a public corporation; L. A. Hauser, as President of the Board of Trustees of the Palo Verde Irrigation District, a public corporation; R. A. Grant, as vice-president of the Palo Verde Irrigation District, a public corporation; Wayne Fisher, as secretary of the Palo Verde Irrigation District, a public corporation; O. W. Malmgren, as assistant secretary of the Palo Verde Irrigation District, a public corporation; O. W. Malmgren, as collector of the Palo Verde Irrigation District, a public corporation; J. F. Reimer, as

(Testimony of W. D. Wagner.)
 treasurer of the Palo Verde Irrigation District, a public corporation; Citizens National Trust & Savings Bank, Blythe Branch, a corporation; A. Doe, B. Doe, C. Doe and D. Doe Company, Defendants and Respondents.

Whereas, it appears to me by the verified petition of James H. Jordan, J. Rupert Mason, First National Bank of Tustin, California, a corporation, L. F. Abadie and C. F. Veysey, the parties beneficially interested herein, that you, the said defendants and respondents above named, refuse to pay to the petitioners, the following amounts due them, respectively, upon their matured bonds and matured interest coupons, of defendant irrigation district or assumed by it, viz.:

To James H. Jordan	
on matured bonds	\$16,000.00
on matured interest coupons	7,295.00
To J. Rupert Mason	
on matured bonds	3,000.00
on matured interest coupons	9,782.00
To First National Bank of Tustin, California	
on matured bonds	0.00
on matured interest coupons	2,340.00
To L. F. Abadie	
on matured bonds	0.00
on matured interest coupons	5,850.00
To C. F. Veysey	
on matured bonds	0.00
on matured interest coupons	660.00 [229]

(Testimony of W. D. Wagner.)

It appearing from said petition that said petitioners are entitled to have said bonds and interest coupons paid out of funds available to pay the same, particularly from the proceeds of the levy of the assessment hereinafter referred to, with penalties; and it appearing that all of said bonds and interest coupons were duly presented for payment; that said Palo Verde Irrigation District has heretofore levied an assessment for so-called "Standby Charges" to raise money to pay interest on a loan made to said district by the Reconstruction Finance Corporation, assessment due December 7, 1936, and has collected a part thereof; that you, and each of you, refuse to apply the said proceeds of said levy towards the payment of said bonds and interest coupons; and that said proceeds should be so applied.

We Do Hereby Command You that you use and apply all moneys on hand available to petitioners, together with the proceeds, including penalties, of said assessments, to pay said matured bonds and matured interest coupons, in order of maturity thereof, before any interest is paid to said Reconstruction Finance Corporation, or is paid on any other bonds or interest coupons, or

You and Each of You Will Show Cause before this court at the Court Room of Department 2 thereof, in the Court House at Riverside, California, on the 7th day of January, 1937, at 10 A.M. of that day, why you have not done so.

(Testimony of W. D. Wagner.)

Witness, the Honorable G. R. Freeman, Judge of said Court.

Attest my hand and the seal of said court, this 29th day of December, 1936.

D. G. CLAYTON,

Clerk.

J. C. ROBERTS,

Deputy Clerk.

That said action is still pending and the said alternative writ is still outstanding and in full force and effect. That there is pending in said cause a demurrer to the first amended petition, which has not been disposed of by the court for the reason that further proceedings in said cause have been stayed by order of the court on August 21, 1937, wherein a minute order was entered denying the motion to proceed to hear the demurrer to the amended petition on the grounds that the proceedings are stayed by the proceedings in this cause, number 19247. (End of stipulation.)

CARROLL B. REYNOLDS

was called as a witness for the petitioner and testified that he had resided in the Palo Verde Valley since January of 1909 and had been in the real estate and insurance business since 1910 and [230] engaged in the farming and ownership of lands in the valley from 1911 to the present time. He had

(Testimony of Carroll B. Reynolds.)

handled numerous sales of real estate, loans upon real estate, and insurance upon real estate improvements, and had acted as representative of certain loaning agencies, the California Bank of Los Angeles and the State Mutual Building and Loan Association of Los Angeles in the valley. The California Bank started making loans in 1913 and discontinued in 1920. The State Mutual started to make loans on homes and buildings in Blythe about 1919 and made them for just a few years. Those agencies ceased to make loans because the loans got fewer and the people couldn't pay their obligations, beginning about 1920 and getting worse after the flood of 1922. There were six or seven hundred people in the valley in 1910, and the railroad came in 1916, and the big influx of people occurred between 1916 and 1920. The 1920 census showed 1600 people in Blythe; 1930 census 1000. Lots of people left the valley and never returned when the flood of 1922 occurred. We had one or two good years, but the process of people leaving the land was continuous from 1920 on. There was a good year in 1923 when cotton went to 35 cents, and the big year of the valley was in 1919 when cotton went to 50 cents a pound and people came in and paid as high as \$400 an acre for land down there. Next year cotton dropped to 12 cents and they all went broke. Land value has decreased steadily after 1919. In 1932, 1933, 1934, some of the choice agricultural land in the valley could be bought for \$10 an acre and from

(Testimony of Carroll B. Reynolds.)

there down to \$1 an acre. There weren't any sales made until this new plan was outlined and we thought we had the loan and then that was in the fall of 1934 and then there were a great many sales made around a \$1 an acre of good land. Very little land has been cleared and leveled in the valley for less than \$50 an acre and the average is closer, where it is well leveled, to \$100 an acre. Some lands sold for less than a dollar an acre. Eighty acre tracts were sold for \$50 and forty acres for \$25. I bought and sold some myself. Average temperature [231] in the summer is around 100 to 110; maximum 125. It is too cold in winter for citrus fruit. The district could not have sold the land for a higher price than that fixed in the first rehabilitation plan. Over the objections of respondents the witness testified that in his opinion the land could not pay more than \$7 an acre over an extended period of years for district tax, county tax, and water toll. The valley land is not well leveled and more investment is needed to put the land in good condition and put out its maximum crops. The farmers have not made any return on their investment in their land for 15 to 20 years.

F. B. MANUSH

was called as a witness by petitioner and testified that he is in the business of cotton ginning and buying of cotton, and a member of a partnership engaged in such business which has cotton gins at

(Testimony of F. B. Manush.)

Blythe and Ripley in the Palo Verde Valley. He identified exhibits numbers 11, 12, and 13 as having come from his sample room. Exhibit 11 is much below the average quality of cotton produced in the past years in the Palo Verde Valley. Up to a couple of years ago 75 per cent of the valley's cotton was of middling and good middling quality. The leaf perforator and says bug have been present in the valley in the current season. They have reduced the quantity of cotton raised 30 to 35% and made it very low quality. They have gotten worse. For the last few years his firm has been financing about 7,000 acres of cotton in the valley secured by crop and chattel mortgages. They usually advance to the irrigation district its charges on the land as such become due. His firm has been advancing about \$16 to \$18 per acre of the expenses of raising the cotton crops in which his firm is interested. He expects that they cannot finance very much, due to pests and low prices, and if they do it will be on a very conservative basis. He would say that the quantity of cotton produced per acre has decreased about 30 to 40 per cent since 1921. One reason is the land runs [232] down and the farmer hasn't got enough money to rotate the crop. He has had to borrow money all the time to make his crop and can never get ahead and therefore has had to take poor land. The land usually produces more where it is farmed by the landowner. The samples of cotton were introduced in evidence by petitioner as their Exhibits 11, 12 and 13 over the objection of respondents.

LLOYD NORVILLE

was called as a witness by petitioner and testified that he had resided and farmed in the Palo Verde Valley for about twenty years; that he had farmed cotton, alfalfa, grain, milo, and wheat. Last year he farmed 120 acres, about 40 alfalfa, 40 cotton, and 40 of grain, wheat, and milo. He is a director of the Palo Verde Irrigation District and has been such a little over a year and had been a director a year once before. During the flood of 1922 the water covered the valley south from a mile or two below Blythe. The water stood on the land for about two months and at the town of Ripley there was 5 feet of water. The standing on the soil did not seem to hurt the soil much but the current washed the district canals and the pipe and ditches; washed great holes where you could pretty near bury this court house. People began drifting away from the valley and at least half of them never came back. Later they gradually drifted out because of high taxes.

The leaf perforator has been in the valley for several years but didn't amount to much until 1936 when it has taken an entire field and this year it spread over the entire valley. He does not expect cotton to continue as a major crop unless they get rid of the insects.

This year there was a bug which damaged the first and second cuttings of alfalfa. Six cuttings on old hay and five on new hay are secured from alfalfa in the valley. The alfalfa seed raised in the valley

(Testimony of Lloyd Norville.)

is marketable. When alfalfa is raised for seed there is always one cutting of hay and some people will [233] take off two cuttings. The seed crop was practically a failure this year. As to what the land can pay over an average 10 year period, the present taxes and assessments are about \$7.50 an acre and they are all they have been able to pay on the best land. That includes water tolls, stand-by charge, and state and county taxes, and \$1 repurchasing. Five dollars and fifty cents an acre is about the maximum the average acre can pay. In 1926 and 1927 he was paying practically \$20 an acre on \$100 assessed valuation for water taxes and so forth and the amount had kept creeping up. He bought the place where he lives in 1926 and started paying taxes on it, and he naturally figures the next ten years will be just like the last ten years. From 1926 to 1930 the farmers did not make enough to pay the taxes and borrowed from the financing companies and the banks to pay them. By 1930 the average farmer had no credit left to borrow on. He thinks the greater half of the land in the district is encumbered by a mortgage or a trust deed. There were very few foreclosures in the district. In general the banks and insurance companies did not eject the farmers from the land which they had taken over, and in many cases they had scaled debts down. The farmers have been allowed to retain possession without even paying rent for several years since the default, and in a good many instances the banks have advanced taxes and water tolls.

TONY SEELEY

was called as a witness by petitioner and testified that he came to the vicinity of the Palo Verde Valley in 1900 and moved into the Palo Verde Valley in 1915 and since that time has been ranching and has been raising alfalfa, cattle, cotton, and grains upon what he considered some of the best land in the valley. He is also renting some poor land. He is farming 240 acres now. He was a member of the Levee Board of Directors from 1918 to 1925 and a member of the Irrigation District Board from 1925 to a year [234] ago last September. He is familiar with the drainage system and it is in bad condition now and a capital investment is necessary on the drainage ditches to protect the lands in the valley from becoming water-logged. Ten or fifteen miles in new drains should be built which would cost at least \$1,000 a mile. Over objection of respondent he testified that the average acre in the district could not pay over five or six dollars an acre per year over a future period of ten or twenty years. From 1927 to 1930 most of the farmers were borrowing money to pay district taxes. Thereafter they had no credit. In arriving at a figure of \$5 or \$6 which the farmers could pay his taxes per year the witness meant that they could pay these after their operating costs were paid, namely, planting and harvesting their crops, living expenses, purchase price, financing to grow their crops, interest and principal on loans, but he did not take into account the farmers making any return by way of interest on their in-

(Testimony of Tony Seeley.)

vestment in the land. They have made no return on their investment the last few years. If county taxes, district taxes and water toll were set for the coming year at \$12 to \$15 per acre, there would be no farming at all. The farmers would abandon their places wholesale and try to get them a job. The taxes are a rather small item of the cost of farming. Costs of farming are generally higher in Palo Verde Valley than in other communities for raising the same crops.

It was stipulated that respondents would testify that *that* the bonds and coupons which they offer to prove here are past due and that they had presented substantial portions of past due bonds and coupons to the County Treasurer of Riverside County for [235] payment at various times from 1930 up to the present time and that they had not been paid for want of funds. It was further stipulated that the school bonds of the school districts within the Palo Verde Irrigation District are not now in default; that all of the past due bonds and coupons of the school districts are paid up to date; for two years 1931 and 1932 the County of Riverside paid the accrued maturities of principal and interest on the school bonds out of reserve county funds and that thereafter for a period of two or three years the school bonds were in default. In 1934 and 1935 the funds which the county had advanced for payment of these school bonds and interest were repaid out of taxes collected from the property in the school

(Testimony of Tony Seeley.)

districts. That two judgments rendered in this Court, the first, James H. Jordan vs. Palo Verde Irrigation District, in cause number 25561 judgment rendered April 7, 1937, and second, a judgment in cause 25588, First National Bank of Tustin vs. Palo Verde Irrigation District, rendered the same date, were offered for identification as respondents' Exhibits J and K, the court sustaining the objection of petitioner to their introduction in evidence on the ground that said judgments are not final, but are pending on appeal. Exhibit J reads as follows:

RESPONDENT'S EXHIBIT J

In the Superior Court of the State of California
In and For the County of Riverside

No. 25561

JAMES H. JORDAN,

Plaintiff,

vs.

PALO VERDE IRRIGATION DISTRICT, an
irrigation district and PALO VERDE DRAIN-
AGE DISTRICT, a public corporation,

Defendants.

JUDGMENT [236]

This cause came on regularly to be heard in open court on the 11th day of March, 1935, A. Heber Winder, Esq., appearing for plaintiff and Stewart, Shaw & Murphey, by Arvin B. Shaw, Jr., Esq.,

(Testimony of Tony Seeley.)
appearing for defendant, Palo Verde Irrigation District, an Irrigation District, and it being shown to the satisfaction of the Court, by proofs duly made.

That defendant, Palo Verde Drainage District, a public corporation, has been duly and regularly served with summons, together with a copy of the amended complaint, herein and has made default in that behalf, and its default for not appearing and answering unto plaintiff's amended complaint has been duly and regularly entered herein;

That defendant, Palo Verde Irrigation District, an Irrigation District, has appeared and filed its answer to said amended complaint, but the trial of the issues wherein raised cannot this day be held;

And said plaintiff having this day moved the Court to render judgment in favor of plaintiff and against defendants, Palo Verde Drainage District, a public corporation leaving this action to proceed as against said Palo Verde Irrigation District, an Irrigation District, defendant;

And the Court thereupon having heard the evidence produced herein and the arguments of counsel and being fully advised in the premises;

It Is Ordered, Adjudged and Decreed that said motion be and the same is hereby granted.

It Is Further Ordered that this action shall be left to proceed as against said Palo Verde Irrigation District, an Irrigation District, defendant.

(Testimony of Tony Seeley.)

It Is Further Ordered that James H. Jordan, plaintiff have and recover from Palo Verde Drainage District, a public corporation, [237] defendant, the sum of Seven Hundred Twenty and no/100 (\$720.00) Dollars, lawful money of the United States, with interest thereon at the rate of seven per centum per annum from date hereof until paid, together with plaintiff's costs incurred in this action in the sum of \$9.25.

Done in open court this 12th day of March, 1935.

O. K. MORTON,

Judge

[Endorsed]: Filed Mar. 12, 1935. D. G. Clayton, Clerk; By W. G. Waite, Deputy.

Recorded in Book 41 of Judgments at page 304 the 12th day of March, 1935. D. G. Clayton, Clerk; By Erna E. Dewey, Deputy.

(Testimony of Tony Seeley.)

RESPONDENT'S EXHIBIT K

reads as follows:

In the Superior Court of the State of California
In and For the County of Riverside.

No. 25588

FIRST NATIONAL BANK OF TUSTIN, Cali-
fornia, a corporation,

Plaintiff,

vs.

PALO VERDE IRRIGATION DISTRICT, an
irrigation district and PALO VERDE DRAIN-
AGE DISTRICT, a public corporation,

Defendants.

JUDGMENT

This cause came on regularly to be heard in open court on the 11th day of March, 1935, A. Heber Winder, Esq., appearing for plaintiff and Stewart, Shaw & Murphey, by Arvin B. Shaw, Jr., Esq., appearing for defendant, Palo Verde Irrigation District, an irrigation District, and it being shown to the satisfaction of the Court, by proofs duly made,

That defendant, Palo Verde Drainage District, a public corporation, has been duly and regularly served with summons, to- [238] gether with a copy of the amended complaint, herein and has made default in that behalf, and its default for not ap-

(Testimony of Tony Seeley.)

pearing and answering unto plaintiff's amended complaint has been duly and regularly entered herein;

That defendant, Palo Verde Irrigation District, an irrigation District, has appeared and filed its answer to said amended complaint, but the trial of the issues therein raised cannot this day be held;

And said plaintiff having this day moved the Court to render judgment in favor of plaintiff and against defendant, Palo Verde Drainage District, a public corporation leaving this action to proceed as against said Palo Verde Irrigation District, an Irrigation District, defendant;

And the Court thereupon having heard the evidence produced herein and the arguments of counsel and being fully advised in the premises;

It Is Ordered, Adjudged and Decreed that said motion be and the same is hereby granted.

It Is Further Ordered that this action shall be left to proceed as against said Palo Verde Irrigation District, an Irrigation District, defendant.

It Is Further Ordered that the First National Bank of Tustin, California, a corporation, plaintiff, have and recover from Palo Verde Drainage District, a public corporation, defendant, the sum of One Thousand Four Hundred Forty and no/100 (\$1440.00) Dollars, lawful money of the United States, with interest thereon at the rate of seven per centum per annum from date hereof until paid,

(Testimony of Tony Seeley.)

together with plaintiff's costs incurred in this action in the sum of \$9.25.

Done in open court this 12th day of March, 1935.

O. K. MORTON,

Judge [239]

[Endorsed]: Filed Mar. 12, 1935.

D. G. Clayton, Clerk; By W. G. Waite, Deputy.

Recorded in Book 41 of Judgments at page 302 the 12th day of March, 1935.

D. G. Clayton, Clerk; By Erma E. Dewey, Deputy.

Over objections of respondents, the witness Seeley testified that he thought private indebtedness on mortgages and trust deeds to banks, insurance companies and others had been reduced more than 75 per cent by voluntary reduction. He stated that cotton acreage will decline and that for the acreage which goes out of cotton the farmers will have to plant some soil building crop such as alfalfa or clover. It would cost \$25 or \$30 an acre on the average to change cotton land over into alfalfa land.

J. W. CASEY

was called as a witness by the petitioner and testified he had [240] been farming in the Palo Verde Valley since October of 1919, farming principally cotton

(Testimony of J. W. Casey.)

and alfalfa and at the present time had 600 acres under his control. He was familiar with the productivity of the land and familiar with prices that had been paid from year to year during the last 18 years. Over the objection of respondents, he testified that it was his opinion that the maximum charge the average acre in the valley could pay over an extended period of years, assuming average production and average prices, for county taxes, district taxes, and water toll was about \$6 an acre. If the taxes and toll were raised to \$10 the farmers would go somewhere else. The outlook for cotton raising in the valley is pretty poor. The cotton acreage will decline. If cotton land were turned to alfalfa raising, the average land down there would cost \$15 to \$20 an acre for preparation and leveling of the land. No net income is ordinarily figured on the first year of alfalfa. An alfalfa stand in the Palo Verde Valley lasts some three to five years.

H. A. WALSH

was called as a witness for the petitioner and testified that he went to the Palo Verde Valley in October of 1908; that he has been farming ever since, principally cotton and alfalfa. He is a director of the Palo Verde Mutual Water Company. It is in liquidation. He was a director of the Palo Verde Irrigation District from 1927 to 1930-31. The

(Testimony of H. A. Walsh.)

farmers who came in the early years are the backbone of the situation now in the valley. Over the objection of respondents the witness testified that \$5.50 to \$6.50 per acre is the maximum amount that the average acre in the valley can pay for county tax, district tax, and water toll over an extended period of years assuming average prices and average production such as he had been familiar with, and that if the district tax should be increased to \$10 or \$12 an acre there would not be sufficient revenue paid in to operate the system. The system would have to be abandoned for lack of revenue. He is farming 90 acres now and a good part of that lies within the City of Blythe. The maximum tax rate on that land during [241] the years in which the rates ran highest from 1927 to 1930 was from \$28 to \$30 per acre on \$100 assessed valuation. The city is quite heavily bonded. Roughly 25 per cent of the valley acreage has too much alkali to raise crops. Probably a thousand acres of the valley has too thin a soil to raise crops. There is river sand under 4 to 6 inches of silt and leaf mold. He is still staying with the valley. No place to go. These people have stayed in the valley because they had quite a bunch of guts and some hope.

R. A. GRANT

was called as a witness for the petitioner and testified that he is a trustee of the Palo Verde Irrigation District and has been such for a little over a year and he is now president of the district Board. He went into the valley in 1927 and has been farming continuously since. He is also an electrical contractor with his place of business in Blythe. He has planted 160 acres of pecans in the valley and there are about 10 acres elsewhere in the valley. His oldest trees were planted in 1927. So far he *has very* much in the red on the trees. They start bearing when they are about seven or eight years old and should be profitable now. It is all an experiment yet. The value of the crop this year will probably amount to \$1,000. A reserve fund of some \$25,000 to \$50,000 should be kept on hand by the district to meet its expenditures during the dry period from the end of the water toll collection to the beginning of the collection of district taxes. The people wouldn't stand for abandoning the district and valley and having it over with. That is something that is peculiarly characteristic of the pioneer. He has wired many new houses in the City of Blythe lately as an electrical contractor. The public utility that serves the community has put in quite extensive improvements lately by way of rural lines. There are about 1000 people in Blythe and 2000 in the valley outside of Blythe. There has been considerable more building in the last year than there has

(Testimony of R. A. Grant.)

been in the last five [242] years. He understands that the Southern Sierras Power Company or the California-Nevada Corporation has made a total capital expenditure of \$77,000 starting in November and ended in February. From 1932 or 1933 until 1936 there was no bank at Blythe. There is a branch of the Citizens-National Bank of Riverside there now. The recent building has been chiefly gasoline stations, auto camps, and residences. (End of Exhibit 1 and of transcript in Superior case.)

Over the objection of respondents petitioner introduced in evidence a certified copy of the resolution of the Reconstruction Finance Corporation under its seal, dated May 5, 1938, as petitioner's Exhibit No. 2. This Exhibit was the acceptance by the Reconstruction Finance Corporation of the plan of composition proposed in the present proceeding.

A certified copy of the resolution adopted by the Board of Trustees of the Palo Verde Irrigation District authorizing the commencement of the action by reference was admitted in evidence, it being Exhibit E attached to the petition. The respondents introduced in evidence over objection by petitioner as respondents' Exhibit A acceptance of the plan of readjustment of indebtedness of the Palo Verde Irrigation District, Bankrupt, by the Reconstruction Finance Corporation on April 7, 1937.

[243]

Respondents introduced in evidence over objection by petitioner as respondents' Exhibit B the petition

(Testimony of R. A. Grant.)

in the State Court proceeding by the Palo Verde Irrigation District. This Exhibit is as follows: [244]

RESPONDENTS' EXHIBIT B

In the Superior Court of the State of California, in
and for the County of Riverside.

No. 21947

In the Matter of Petition of

PALO VERDE IRRIGATION DISTRICT, an
Irrigation District, for Readjustment of Debts.
PETITION FOR READJUSTMENT OF DEBTS

The Board of Trustees of Palo Verde Irrigation District, an irrigation district (which district is hereinafter designated "Petitioner") files the petition of said District for readjustment of debts and alleges:

I.

That Petitioner is an irrigation district duly organized on October 27, 1923, and now existing under and by virtue of the provisions of that certain Act of the Legislature of the State of California known as the "Palo Verde Irrigation District Act", (Stats. Cal. 1923, p. 1067) approved June 21, 1923, as amended.

(Paragraphs II to VI, inclusive, alleged the organization, history, and bond issues of petitioner, Palo Verde Mutual Water Company and Palo Verde Joint Levee District, substantially the same as in the petition in the present proceeding.)

(Testimony of R. A. Grant.)

VII.

That on or about November 1, 1922, said Levee District authorized, pursuant to the provisions of said Act, approved March 8, 1911, an issue of coupon bonds of said district, designated "Second Issue", dated November 1, 1922, in the aggregate principal amount of \$371,378.50, payable serially on November 1 of each year from 1923 to 1962, inclusive, with interest at the rate of 6½% per annum payable May 1 and November 1 of each year. That said Levee District thereafter sold and issued all of said bonds. That there now remain unpaid bonds of said Second Issue in the principal amount of \$304,378.50, together with substantially all interest coupons thereon maturing May 1, 1930, and thereafter.

VIII.

That by virtue of the provisions of Section 12 of said [245] Palo Verde Irrigation District Act said Levee District was, upon the organization of Petitioner, merged in and superseded by Petitioner and ceased to exist except in so far as may be necessary to preserve the rights of bondholders and other creditors, and Petitioner assumed all of the outstanding indebtedness of said Levee District, including the principal and interest on said bonds of said First and Second Issues.

(Paragraphs IX to XIII, inclusive, alleged further history of petitioner and of Palo Verde Drainage District.)

(Testimony of R. A. Grant.)

XIV.

That Petitioner is unable to meet its obligations above mentioned as they mature and that it desires to effect a plan of readjustment of said obligations under the provisions of that certain act of the Legislature of the State of California known as the "Irrigation District Refinancing Act" (Stats. Cal. 1937, Ch. 24) and desires to avail itself of the relief and remedies provided for by said act.

XV.

That on the 13th day of April, 1937, the Board of Trustees of said Petitioner adopted a resolution wherein and whereby said Board adopted a plan of readjustment of indebtedness. That said plan is fully set out in said resolution. That a certified copy of said resolution, including said plan, is filed and submitted with and accompanies this petition, to-wit, is attached to this petition, marked "Exhibit A" and by this reference made a part hereof.

XVI.

That the unpaid coupon bonds herein mentioned and said note evidence the only indebtedness sought to be readjusted in and by said plan of readjustment and the holders of said bonds and note are the only creditors of Petitioner affected by said plan within the meaning of said last mentioned act. That none of said indebtedness is owned or held by Petitioner. [246]

(Testimony of R. A. Grant.)

XVII.

That Reconstruction Finance Corporation, an agency of the United States of America, owns and holds not less than two-thirds in principal amount, viz., more than ninety-six (96) per cent in principal amount, of all indebtedness affected by said plan of readjustment. That said corporation owns and holds said promissory note and not less than two-thirds in principal amount, viz., more than ninety-five (95) per cent in principal amount, of each of the issues of bonds above mentioned. That a true and correct list of said indebtedness owned and held by said corporation is hereto attached, marked Exhibit "B" and by this reference made a part hereof.

XVIII.

That on April 7, 1937, said Reconstruction Finance Corporation, in writing dated on said day, accepted said plan of readjustment.

XIX.

That a list of all known holders of bonds issued or assumed by said district to be readjusted as aforesaid, other than said Reconstruction Finance Corporation, with their addresses, so far as known to Petitioner, and a description of their respective claims, so far as is known, which list shows only persons who have not accepted said plan, is hereto attached, marked Exhibit "C" and by this reference

(Testimony of R. A. Grant.)

made a part hereof. That said Exhibit "C" has been compiled from the best sources of information available to Petitioner and is supposed by Petitioner to be correct, but is intended by Petitioner as a list of claims and not as an admission of liability to the particular persons listed. Transfers of bonds or coupons thereof listed on said Exhibit "C", or interests therein, either voluntary or by operation of law, may have occurred unknown to Petitioner and to Petitioner's sources of information and Petitioner does not therefore intend by this paragraph to allege or admit the actual legal or equitable ownership of any bonds or coupons so listed, nor does Petitioner admit the authenticity of [247] any purported bonds or coupons held by any of the holders so listed, nor does Petitioner intend hereby to acknowledge any of said bonds or coupons so listed which are barred by any statute of limitations.

XX.

That a condensed summary showing separately the amounts and percentages of said indebtedness held respectively by said Reconstruction Finance Corporation and by others who have not accepted said plan is hereto attached, marked Exhibit "D" and by this reference made a part hereof.

(Paragraphs XXI to XXV, inclusive, alleged fairness of the plan and that certain actions and judgments were pending against petitioner.)

(Testimony of R. A. Grant.)

XXVI.

That in each and all of the above described actions the plaintiffs would, unless enjoined and stayed by the filing of this petition, take steps and proceedings looking to the enforcement of the claims of such plaintiffs for the payment of bonds or coupons involved in said actions and that such proceedings would interfere with and prevent the carrying out of said plan of readjustment and would in part, render ineffective the carrying out of said plan and would interfere with the jurisdiction of this Court herein.

Wherefore, Petitioner prays:

1. That the Court, by order, set a time and place for the hearing of this petition and prescribe the notice of such hearing to be given;

2. That, at such time and place, the Court hold a hearing upon said plan and, after due proceedings had, enter an interlocutory judgment confirming said plan;

3. That, upon rendition of such interlocutory judgment, the Court continue this proceeding for final hearing as to the value of the bonds of non-accepting holders, if any, and at such final hearing, after due proceedings had, the Court enter a judgment of acquisition, cancellation and condemnation by Petitioner of all bonds of [248] non-accepting holders, if any, and that such proceedings be had in conformity with such judgment as may be prescribed thereby or by the Court;

(Testimony of R. A. Grant.)

4. And that Petitioner have such other and further relief as may be meet and agreeable to equity.

STEWART, SHAW &
MURPHEY

By.....

Attorneys for Petitioner.

State of California
County of Los Angeles—ss.

L. A. Hauser, being first duly sworn, deposes and says: That he is the President of the Board of Trustees of Palo Verde Irrigation District, the petitioner named in the foregoing petition, and makes this verification on its behalf; that he has read said petition and knows the contents thereof and that the same is true of his own knowledge except as to the matters which are therein stated upon his information or belief and as to those matters that he believes it to be true.

.....
Subscribed and sworn to before me this day
of April, 1937.

.....
Notary Public in and for
the County of Los Angeles,
State of California.

Exhibit A attached to the petition was a resolution of the Board of Trustees of petitioner reciting that the Reconstruction Finance Corporation prior to April 7, 1937, purchased and owns more than 96 per cent in principal of the indebtedness of the

(Testimony of R. A. Grant.)

district and that the district does not own any of the bonds and that the Reconstruction Finance Corporation in writing dated April 7, 1937, accepted the plan and resolves that the following plan of readjustment is fair and adopts the same, the plan reading as follows: [249]

PLAN OF READJUSTMENT
PALO VERDE IRRIGATION DISTRICT

Palo Verde Irrigation District, being unable to meet its debts as they mature, desires to effect the following plan of readjustment:

Said debts consist principally of issued, outstanding and unpaid bonds issued or assumed by said District, to-wit, bonds issued by the following entities and in the amounts hereinafter set opposite the names of such entities, to-wit:

Palo Verde Mutual Water Company,	Principal Amount \$ 170,000.00
Palo Verde Joint Levee District of Riverside and Imperial Counties, California, first issue,	Principal Amount \$ 911,951.86
Palo Verde Joint Levee District of Riverside and Imperial Counties, California, second issue,	Principal Amount \$ 304,378.50
Palo Verde Drainage District,	Principal Amount \$ 850,000.00
Palo Verde Irrigation District, first issue,	Principal Amount \$1,725,000.00
Palo Verde Irrigation District, second issue,	Principal Amount \$ 213,000.00
Total,	\$4,174,330.36

Together with certain unpaid coupons upon each of said bonds.

Said debts also include promissory note of said District payable to D. A. Foley & Co. in the principal amount of \$4,000.00

(Testimony of R. A. Grant.)

This District proposes and offers to deliver to each and all of the owners and holders of any of the above mentioned bonds the bonds of this District of the "Third Issue of Bonds (Refunding)" of principal amount equal to 24.81¢ per dollar of the principal amount of the bonds of the above mentioned company and districts owned and held by the above mentioned owners and holders. Each of said bonds shall be accompanied by all of its appurtenant coupons which have not heretofore been paid. In the event any such [250] unpaid coupons due prior to May 31, 1933, are missing, the principal amount of refunding bonds to be delivered by the District shall be reduced in the amount of 20.50¢ for each dollar of the face amount of such missing coupons. In the event any such unpaid coupons due May 31, 1933 or subsequently, are missing, the face amount of such coupons will be deducted from the face amount of such bonds to be delivered by the District.

The District also proposes and offers to deliver to the owner and holder of said \$4000.00 note bonds of said District of said "Third Issue of Bonds (Refunding)" of principal amount equal to 25¢ per dollar of the principal amount of said note. The issuance of said "Third Issue of Bonds (Refunding)" was authorized by vote of the electors of said District at an election held on the 4th day of June, 1934, and by a resolution for the issuance and execution of such bonds adopted by said Board of Trustees at a meeting of said Board held on the 24th

(Testimony of R. A. Grant.)

day of July, 1934, as amended, to which resolution reference is hereby made; said refunding bonds shall bear interest at the rate of four per cent (4%) per annum, payable semi-annually on January first and July first, shall be dated July 1, 1934, shall be payable in such funds as are on the respective dates of payment of the principal of and interest on said bonds made legal tender for debts due the United States of America, shall be payable at the office of the County Treasurer of Riverside County, in the County of Riverside, California, or at the National City Bank of New York in the Borough of Manhattan, City of New York, State of New York, at the option of the holder and shall be in thirty (30) series to mature annually from and including July 1, 1938, to and including July 1, 1967; said bonds and the coupons thereon shall be in substantially the form set out in the resolution last mentioned and may be registerable at the option of the holder as to both principal and interest; said district will provide that the schedule of maturities of said bonds set out in said last [251] mentioned resolution shall be modified so as to provide bonds in such principal amounts as may be necessary to satisfy and comply with such final decree as may be made by the Superior Court in proceedings for the readjustment of the debts of said District under the Irrigation District Refinancing Act of California.

(Testimony of R. A. Grant.)

The District shall also deliver to each and all of the owners and holders of any interest coupons detached from the above-mentioned bonds, the bonds of said District of the "Third Issue of Bonds (Refunding)" of principal amount (a) equal to 20.50 cents for each dollar of face amount of any such detached coupons which came due prior to May 31, 1933, and (b) equal to the face amount of any such detached coupons due May 31, 1933, or subsequently.

The District will provide cash sufficient to pay to each owner and holder of bonds and coupons the difference between the sum of \$100.00 (or nearest multiple thereof) and the principal amount of refunding bonds required hereunder to be delivered to such person, to the end that such cash and refunding bonds in the principal amount of \$100.00 (or multiples thereof) shall be disbursed to such person.

The resolution further provided that the plan be presented to the California District Securities Commission and that the Messrs. Stewart, Shaw & Murphy, as attorneys, be instructed to file a petition in the Superior Court under the Irrigation District Refinancing Act, praying that the plan be effected in accordance with the act.

Exhibit B was a list of securities stated to be owned by the Reconstruction Finance Corporation, and in the following total amounts:

(Testimony of R. A. Grant.)

Bonds of Palo Verde Mutual Water Company,	\$169,900.00
Bonds of Palo Verde Joint Levee District of Riverside and Imperial Counties, California (First Issue)	\$886,951.86
Second Issue	\$290,378.50
Bonds of Palo Verde Drainage District	\$834,000.00
Bonds of Palo Verde Irrigation District (First Issue)	\$1,649,000.00
	[252]
Second Issue	\$208,000.00
Promissory note of Palo Verde Irrigation District to D. A. Foley & Co.	\$4,000.00

Exhibit C was a list of bondholders who had not accepted the plan and included the respondents and also some few others totaling \$136,000.00.

Exhibit D was a more condensed summary purporting to show that the Reconstruction Finance Corporation hold \$4,042,230.36 or 96.74 per cent of all debts and that all other creditors including the respondents hold \$136,100.00 or 3.26 per cent of the debt.

Respondents' counsel on behalf of some of respondents whom he had contacted, proposed and suggested a modification of the plan of adjustment

and stated that as a practical matter, the plan was something that went into effect some four or five years before. The bondholders were discouraged and most of them turned in their bonds in claims and drew their money from the Reconstruction Finance Corporation before there were any proceedings of any kind. Then the petitioner and respondents went into court under Section 80, went through that litigation and then went through the litigation under the state act proceeding and now are back in court. Conditions have changed a great deal as the evidence indicates, and also there are two or three different classes of bondholders. That is there were drainage bonds, levee bonds, and irrigation bonds, and also a promissory note for \$4,000. Then there was a private deed of trust which secured certain notes covering most of the properties. The private mortgage bondholders received 50 cents on the principal of their bonds and the Reconstruction Finance Corporation has been paid 4 per cent interest. The respondents of whom counsel spoke, Jordan and Covell, would be willing to accept 50 cents on the principal with the 4 per cent interest and as to the respondents whom counsel had contacted, if they could [253] get that adjustment, it would end the whole case. There is a section in the Act which says the Court can make a change or modification of the plan at any time before the Court confirms a plan, though it is not binding upon the district until the district has accepted such modification.

The Court declined to consider the plea, stating that that was a matter for counsel. [254]

The foregoing Narrative Statement of Evidence is hereby settled as being true and complete, and is hereby approved.

Dated: March 13, 1939.

GEO. COSGRAVE

U. S. District Judge.

STIPULATION

It is stipulated by and between the appellants and appellee herein that the foregoing Narrative Statement of Evidence may be signed by the court and is a complete condensed statement of the oral and documentary evidence adduced at the hearing herein on July 18, 1938, and shall constitute a part of the record on the appeals in this cause to be used in lieu of the reporter's transcript of proceedings and testimony and exhibits.

Dated: March 3, 1939.

W. COBURN COOK

CHAS. L. CHILDERS

Attorneys for Appellants

STEWART, SHAW &

MURPHEY

By ARVIN B. SHAW, JR.

Attorneys for Appellees.

[Endorsed]: Filed Mar. 13, 1939. [255]

[Title of District Court and Cause.]

PETITION FOR ORDER ALLOWING APPEAL

To the above entitled Court and the Honorable Judges thereof:

Whereas, James H. Jordan, J. R. Mason, L. F. Abadie, George F. Covell, and First National Bank of Tustin, a corporation, respondents and objecting creditors in the above entitled proceeding consider themselves aggrieved by the order and interlocutory decree of the above entitled Court rendered in the above entitled proceeding which decree is entitled "Interlocutory Decree Confirming Plan of Composition of Debts" and is dated the 6th day of October, 1938, and is signed by the Honorable George Cosgrave, for the reasons and because of the errors set out in the Assignment of Errors presented and filed with this petition.

Now Therefore, the said respondents and objecting creditors do hereby appeal from the aforesaid order and decree to the [257] United States Circuit Court of Appeals for the Ninth Circuit upon all of the grounds and for the reasons specified in the assignment of errors filed herewith and pray that said appeal may be allowed and that a citation in due form shall be issued herein directed to the petitioner, Palo Verde Irrigation District in the above entitled proceeding commanding it to appear before the said Circuit Court of Appeals to do what may be adjudged to be done in the premises, and that a

transcript of the record, proceedings, and papers upon which order and decree was made shall be duly made and authenticated and sent to the aforesaid Circuit Court of Appeals, and that such other and further order may be made as may be proper.

Dated: October 31, 1938.

W. COBURN COOK

CHAS. L. CHILDERS

Attorneys for Respondents named
in the above petition.

[Endorsed] Filed Oct. 31, 1938. [258]

(Title of District Court and Cause.)

ORDER ALLOWING APPEAL

In the above entitled case (mentioned in the petition to which this order is attached), it is ordered that the appeal therein prayed for be and the same is hereby allowed, and the Court hereby fixes the amount of the cost bond to be given by the appellants, the respondents named in said petition, in the sum of \$250.

Dated: October 31, 1938.

GEO. COSGRAVE

United States District Judge.

[Endorsed]: Filed Oct. 31, 1938. [259]

[Title of District Court and Cause.]

ASSIGNMENT OF ERRORS

The appellants James H. Jordan, First National Bank of Tustin, California, a corporation, J. R. Mason, George F. Covell and L. F. Abadie in connection with their petition for an order allowing an appeal, make the following assignment of errors, which they aver occurred at the trial and determination of this proceeding and in the rendering of the decree appealed from:

1. The court erred in approving and confirming the plan of composition mentioned in the interlocutory decree.

2. The court erred in overruling objections of appellants to the jurisdiction of the court and to the introduction of evidence under the petition.

3. The court erred in finding that none of the matters alleged in the present petition are res judicata, and in finding that this court had power and jurisdiction to consider and adjudicate all of the matters in this proceeding. [260]

4. The court erred in approving and allowing the claim of Reconstruction Finance Corporation in the principal amount of \$4,043,730.36, or any other amount.

5. The court erred in authorizing petitioner to repay to Reconstruction Finance Corporation money expended by it in purchasing old bonds.

6. The court erred in finding that Reconstruction Finance Corporation owned and held 96% or any

other amount of the indebtedness affected by the plan of composition, and in finding that it owns more than 95% or any other amount of each of the issues of bonds mentioned in said petition.

7. The court erred in finding that it is not true that 96% or any of the obligations of petitioner have been paid with funds obtained from Reconstruction Finance Corporation and in finding that it is not true that petitioner is obligated in an amount equal to 24.81% or any percentage of 96% of the obligations of petitioner or any sum less than the whole sum of principal and interest evidenced by the face of said obligations together with interest thereon at the rate of 4 per cent per annum. The court erred in finding that by the contract executed between petitioner and Reconstruction Finance Corporation, petitioner is obligated to said corporation to the full amount of principal and interest evidenced by the note and bonds held by said corporation, and in finding that said corporation has neither loaned nor advanced any funds to petitioner, and in finding that no amount of obligations held by Reconstruction Finance Corporation has in fact or in legal effect or otherwise been extinguished.

8. The court erred in finding that said plan of composition does not discriminate unfairly in favor of Reconstruction Finance Corporation.

9. The court erred in finding that Reconstruction Finance [261] Corporation did not accept said plan several years ago or at any time prior to May 5, 1938, and in finding that said corporation was not

nor was petitioner bound by said plan prior to the commencement of this proceeding, and in finding that said corporation is affected by said plan.

10. The court erred in finding said plan of composition to be fair, equitable and for the best interests of creditors affected thereby, and in finding that it did not discriminate unfairly in favor of any creditor or class of creditors, and in finding that said plan complies with the provisions of Chapter IX (formerly Chapter X) of the Bankruptcy Act, and that said plan has been accepted and approved as required by subdivision (d) of Section 83 of said act, and in finding that the offer of the plan and its acceptance are in good faith, and that petitioner is authorized by law to take all action necessary to carry out the plan.

11. The court erred in finding that said plan was not prepared or substantially completed or executed several years before the commencement of this proceeding, and in finding that said plan is a plan of composition pursuant to said Chapter X.

12. The court erred in finding that it is not true that the only persons or parties affected by said plan are owners and holders of bonds who have not consented or agreed to said plan, and in finding that all creditors or holders of securities who have consented to said plan are creditors affected by said plan.

13. The court erred in holding that all of the bonds and indebtedness included in the plan of com-

position are of one and the same class, and are payable without preference.

14. The court erred in holding that every bondholder should deposit any and all bonds and coupons issued or assumed by petitioner, with the disbursing agent within 30 days after publication of certain notice, or be forever barred from claiming or asserting, as against petitioner or any individually owned property [262] located within petitioner or the owners thereof, any claim or lien arising out of said bonds or coupons.

15. The court erred in enjoining and restraining appellants from commencing or prosecuting any suits, actions, or proceedings as to any indebtedness included in the plan of composition.

16. The court erred in holding that petitioner is unable to meet its obligations as they mature, and in holding that adverse agricultural conditions have affected petitioner, and in holding that petitioner has in good faith levied taxes to pay its bonded indebtedness, and that said taxes were greater than the ability of the land to produce or of farmers to pay, and in holding that petitioner was, or is or will continue to be unable to collect sufficient revenue to meet its obligations or a greater amount of revenue than will carry out the plan of composition.

17. The court erred in finding that said plan is not inequitable, unjust, or unfair to respondents or any of them, and in finding that petitioner will not be financially able to pay the obligations owned by respondents.

18. The court erred in finding that respondents are not severally entitled to judgment in their respective actions mentioned in this proceeding except for the restraining order issued in this proceeding, and in finding that said inchoate judgments and causes of action are provided for and are subject to composition.

19. The court erred in finding that the market value of the securities affected by the plan of composition was not greater than 14% of the principal amount between December 11, 1930 and January 30, 1934, and in finding that the market value, at no time between December 11, 1930 and the hearing herein, was greater than 21½% of the principal amount, and in finding that [263] the confirmation of said plan of composition is beneficial and for the best interests of petitioner's creditors.

20. The court erred in not holding the plan of composition unfair, in that the Reconstruction Finance Corporation is to be paid interest on its claims at 4 per cent per annum from July 1, 1934, while no interest whatever is to be paid to appellants.

21. The court erred in not holding the plan of composition unfair in that 50 per cent of their principal is paid to holders of Palo Verde Mutual Water Company bonds whereas only 24.81 per cent is to be paid to appellants.

22. The court erred in finding and ruling that said district is unable to meet its debts as they mature within the true meaning of said terms. The district is practically without leviabale property and

inability to meet debts has reference to property and not yield from the unlimited and sovereign power of the state or of one of its district's to tax private property.

23. The court erred in finding said plan of composition fair in that it contains no provision for subsequent compensation for the impairing of obligations of the bondholders involved in this case in the event the district is subsequently able to pay its indebtedness in full through taxation or otherwise.

24. The court erred in finding said plan of composition fair in that it allows said debtor district to retain its water rights, reservoirs, power production facilities, lands, canals and water systems and other property, which properties were produced by moneys furnished by the bondholders of the district and the plan of composition was in no manner based upon any valuation of said properties.

25. The court erred in finding said plan fair in that it compels no surrender of any property of said district and it wholly fails to measure the new obligations of said district to pay by any valuation of any assets or property of said district. [264]

26. The court erred in finding that none of the obligations of petitioner referred to in the petition are also obligations of the County of Riverside, California, and in finding that this Court has power and jurisdiction to consider, allow, and approve a plan of composition affecting all of the obligations referred to in said petition.

27. The court erred in not holding that some of the bonds and interest coupons held by appellants and some of the outstanding obligations of Palo Verde Irrigation District are obligations of the Palo Verde Drainage District and some are obligations of the County of Riverside, California, and some are obligations of the Palo Verde Joint Levee District of Riverside and Imperial Counties, and this court is without power or jurisdiction to consider or allow or approve any plan of composition or proceeding involving or affecting any of the said obligations of the Palo Verde Drainage District or of the County of Riverside, California, or of the Palo Verde Joint Levee District of Riverside and Imperial Counties.

28. The court erred in not holding that under the terms of California Statutes of 1937, Chapter 24, Section 19, said Reconstruction Finance Corporation and petitioner were bound by said plan of composition prior to the commencement of this proceeding and thereby said corporation is not affected by the plan referred to in this proceeding.

29. The court erred in not holding this proceeding barred because there was and now is a proceeding by petitioner pending under California Statutes of 1937, Chapter 24, for the same relief asked for herein, and which said statute is a bankruptcy statute.

30. The court erred in holding that petitioner and its obligations are subject and amenable to the bankruptcy power of the Congress of the United

States, and in holding that the State [265] of California has consented and can consent to this proceeding, and in not holding that any purported consent of the State of California to this proceeding under the terms and provisions of California Statutes of 1934 (extra session) Chapter 4 is unconstitutional and void in that said chapter violates the provisions of Article I, Section 16; Article IV, Section 1; Article X, Section 5; and Article XIII, Section 6 of the Constitution of the State of California, and Article I, Section 10, Clause 1 of the Constitution of the United States, and other constitutional provisions.

31. The court erred in not holding that said Chapter IX (formerly Chapter X) of the Bankruptcy Act was and is unconstitutional and that it did not violate the following sections and clauses of the Constitution of the United States: Article I, Section 10, Clause 1, and the Fifth and Tenth Amendments.

32. The court erred in not holding the plan unconstitutional because it interferes with sovereign governmental and political powers of the State of California, and in particular interferes with the power of taxation.

33. The court erred in not holding said Chapter IX is not a bankruptcy act which Congress could make applicable to Palo Verde Irrigation District.

34. The court erred in not holding that Palo Verde Irrigation District is a political subdivision created for the purpose of exercising and exercising

powers of sovereignty conferred upon said district by the laws of the State of California to carry out public governmental purposes, and it erred in holding that the confirmation of said plan of debt readjustment was not a void and illegal interference with the exercise of said sovereign powers so conferred upon said district.

35. The court erred in not holding that the power of Palo Verde Irrigation District to levy taxes on the lands or [266] property of private individuals is not property within the meaning of a true bankruptcy law.

36. The court erred in holding its jurisdiction extended to the Palo Verde Joint Levee District of Riverside and Imperial Counties and to Palo Verde Drainage District.

37. The court erred in approving and confirming the plan of composition without provisions for appellants' vested rights in trust funds and properties, including proceeds of assessments, tax certificates, land to which title has been taken under tax sales and proceeds thereof, the right to levying of annual assessments both in the past and future, and moneys impounded by writ or writs of mandamus heretofore issued.

38. The court erred in approving the said plan in that appellants' right of assessments against the personal property of landowners was not taken into consideration nor provided for.

39. The court erred in not holding that the plan of composition violates the Fifth amendment of the

Constitution of the United States in that mortgages and other obligations, junior to those held by appellants, of petitioner, and petitioner's landowners may be paid in full while appellants are to receive only 24.81 per cent of the principal of their holdings.

40. The plan further violates the Fifth amendment of the Constitution of the United States by taking appellants' property and giving it to the landowners of petitioner's district.

41. The plan takes the private property of appellants to pay the public debt of the State of California, and of the County of Riverside and Palo Verde Irrigation District without just compensation.

42. The court erred in determining that by these proceedings the obligation of the State of California upon the securities affected by the plan could be voided.

43. The court erred in holding that, at the option of [267] petitioner, bondholders are to be delivered refunding bonds instead of cash in payment of petitioner's obligations.

44. The court erred in making its conclusions of law as to all the matters mentioned in the foregoing assignment of errors.

Wherefore, appellants pray that the decree of the district court appealed from shall be reversed.

Dated: October 31, 1938.

W. COBURN COOK

CHAS. L. CHILDERS

Attorneys for Appellants.

[Endorsed]: Filed Oct. 31, 1938. [268]

(Title of District Court and Cause.)

BOND FOR COSTS ON APPEAL

Know All Men by These Presents: That we, James H. Jordan, J. R. Mason, L. F. Abadie, George F. Covell, and First National Bank of Tustin, a corporation, as Principals, and the American Surety Company of New York, a corporation organized and existing under the laws of the State of New York, and authorized to transact business in the State of California, as Surety, are held and firmly bound unto Palo Verde Irrigation District, and to the United States of America, and to the Clerk of said Court, in the full and just sum of Two Hundred Fifty & 00/100 Dollars (\$250.00), to be paid to them and/or to each and/or to all or any of them and his or their respective successors if any, as their respective rights may appear, to which payment, well and truly to be made, we bind ourselves, our heirs, executors, and administrators, jointly and severally by these presents.

Sealed with our seals and dated this twenty-fourth day of October, 1938.

Whereas, the above-named Principals are about to appeal to the United States Circuit Court of Appeals for the Ninth Circuit to correct and reverse the order of said United States District Court in the above-entitled matter; and

Whereas, the above-named Principals obtained from said Court an order granting their petition for appeal in said matter and a citation directed to said

Palo Verde Irrigation District citing and admonishing it to be and appear at a United States Circuit Court of Appeals for the Ninth Circuit to be holden at San Francisco, in the State of California.

Now, Therefore, the condition of the above obligation is such, that if the said Principals shall prosecute their said appeal to effect and answer all costs, if they shall fail to make their plea good, then the above obligation to be void; otherwise to remain in full force and effect.

It is further stipulated as a part of the foregoing bond, that in case of the breach of any condition thereof, the above named District Court may, upon notice to the Surety, above named, proceed summarily in said action or suit to ascertain the amount which said Surety is bound to pay on account of such breach, and render judgment therefor against said [269] surety and award execution therefor.

JAMES H. JORDAN

J. R. MASON

L. F. ABADIE

GEORGE F. COVELL

FIRST NATIONAL BANK OF
TUSTIN

By L. F. ABADIE

AMERICAN SURETY COMPANY
OF NEW YORK

[Seal]

By L. T. PLATT

Resident Vice-President.

Attest: D. DUCRAY.

Resident Assistant Secretary.

Bond #363,008-K—Premium \$10.00 per annum.

State of California
City and County of San Francisco

On this twenty-fourth day of October in the year one thousand nine hundred and thirty-eight before me Thomas A. Dougherty, a Notary Public in and for said City and County, State aforesaid, residing therein, duly commissioned and sworn, personally appeared L. T. Platt and B. Ducray known to me to be the Resident Vice-President and Resident Assistant Secretary respectively of the American Surety Company of New York the corporation described in and that executed the 'within and foregoing instrument, and known to me to be the persons who executed the said instrument on behalf of the said corporation, and they both duly acknowledged to me that such corporation executed the same.

In Witness Whereof, I have hereunto set my hand and affixed my official seal, at my office, in the said City and County of San Francisco, the day and year in this certificate first above written.

[Seal] THOMAS A. DOUGHERTY
Notary Public in and for the City and County of
San Francisco, State of California.

My commission expires August 4, 1939. [270]

The foregoing bond for costs on appeal is hereby approved this 31st day of October, 1938.

GEO. COSGRAVE

Judge of the United States
District Court.

[Endorsed]: Filed Oct. 31, 1938. [271]

[Title of District Court and Cause.]

NOTICE OF APPEAL TO THE CIRCUIT
COURT OF APPEALS UNDER RULE 73 (b)

Notice is Hereby Given that James H. Jordan, J. R. Mason, L. F. Abadie, George F. Covell, and First National Bank of Tustin, a corporation, respondents in this cause hereby appeal to the Circuit Court of Appeals for the Ninth Circuit from the Interlocutory Decree Confirming Plan of Composition of Debts entered in this action on October 7, 1938.

Dated: November 4, 1938.

W. COBURN COOK,
CHAS. L. CHILDERS,

Attorneys for James H. Jordan,
J. R. Mason, L. F. Abadie,
George F. Covell, and First
National Bank of Tustin, a
corporation.

W. COBURN COOK,

Berg Building,
Turlock, California.

CHAS. L. CHILDERS,

Bank of America Building,
El Centro, California.

Copy mailed to Stewart, Shaw & Murphy, Attys.
for Appellees, 11/7/38.

R. S. ZIMMERMAN,

Clerk.

By EDMUND L. SMITH,

Deputy.

[Endorsed]: Filed Nov. 7, 1938. [272]

[Title of District Court and Cause.]

ORDER FOR TRANSFER OF ORIGINAL
EXHIBITS TO CIRCUIT COURT OF
APPEALS.

It appearing to the Court that, an appeal having been taken in this cause to the Circuit Court of Appeals, the original exhibits should be inspected by the Appellate Court and sent to the Appellate Court in lieu of copies, and the parties to this appeal having entered into a stipulation providing for the same and good cause appearing therefor;

It Is Ordered, that in lieu of copies, all of the original exhibits filed in this cause be sent by the clerk of this court to the Circuit Court of Appeals for the Ninth Circuit as a portion of the record on appeal to be used in the Circuit Court of Appeals as a portion of the record on appeal in accordance with Rule 23 of the Circuit Court of Appeals as it now reads or may be amended, and subject to such orders as may be made in the Circuit Court of Appeals relating to the printing of the same or portions thereof, and subject to such other orders as may be made in that court, and that the same be transported to the Circuit Court of Appeals by United States mail and returned to this court upon order of the Circuit Court of Appeals.

Dated: November 5, 1938.

GEO. COSGRAVE,

United States District Judge.

[Endorsed]: Filed Nov. 5, 1938. [273]

[Title of District Court and Cause.]

STIPULATION

It is stipulated between petitioner and respondents, L. F. Abadie, George H. Covell, First National Bank of Tustin, James H. Jordan, J. R. Mason, that in accordance with Rule 75 (i) of the Federal Rules of Civil Procedure, the Court may in lieu of copies, order the transfer to the Circuit Court of Appeals, of the original exhibits filed in this cause as a portion of the record on appeal, to be used in the Circuit Court of Appeals upon the appeal herein in accordance with Rule 23 of the Circuit Court of Appeals, and such orders as may be made in that Court.

Dated: October 31, 1938.

STEWART, SHAW &
MURPHEY,

By ARVIN B. SHAW, JR.,
Attorneys for Petitioner.
W. COBURN COOK,
Attorney for Respondents.

[Endorsed]: Filed Nov. 7, 1938. [274]

[Title of District Court and Cause.]

ORDER

Good cause appearing it is ordered in the above entitled cause in connection with the appeal of James H. Jordan, First National Bank of Tustin, California, J. R. Mason, George F. Covell, and L. F.

Abadie, and to the United States Circuit Court of Appeals for the Ninth Circuit, that the time for filing the record and transcript on appeal in said cause and the time for docketing of said cause with the clerk of the United States Circuit Court of Appeals for the Ninth Circuit in San Francisco, California, shall be and the same is enlarged and extended to and including the 29th day of January, 1939.

Dated: December 27th, 1938.

PAUL J. McCORMICK,

United States District Judge.

[Endorsed]: Filed Dec. 27, 1938. [275]

[Title of District Court and Cause.]

STIPULATION

It is stipulated by and between appellants and appellees herein that the time for docketing this appeal may be by the Court extended to January 29, 1939.

Dated: December 28, 1938.

CHAS. L. CHILDERS,

W. COBURN COOK,

Attorneys for Appellants.

STEWART, SHAW &

MURPHEY,

By ARVIN B. SHAW, Jr.,

Attorneys for Appellees.

[Endorsed]: Filed Dec. 30, 1938. [276]

United States Circuit Court of Appeals for the
Ninth Circuit.

Undocketed.

JAMES H. JORDAN, et al.,

Appellants,

vs.

PALO VERDE IRRIGATION DISTRICT,

Appellee.

ORDER EXTENDING TIME TO FILE
RECORD AND DOCKET CAUSE.

Upon application of Mr. W. Coburn Cook, counsel for appellants, and good cause therefor appearing, It Is Ordered that the time within which appellants may file their transcript of record and docket the appeal in above cause be, and hereby is extended to and including February 28, 1939.

CURTIS D. WILBUR,

Senior United States Circuit
Judge.

.Dated: San Francisco, Calif., January 24, 1939.

A true copy,

Attest, January 24, 1939,

[Seal]

PAUL P. O'BRIEN,

Clerk.

[Endorsed]: Order, etc. Filed Jan. 24, 1939. Paul P. O'Brien, Clerk.

[Endorsed]: Filed Jan. 26, 1939. R. S. Zimmerman, Clerk. By M. J. Sommer, Deputy Clerk. [277]

[Title of Circuit Court of Appeals and Cause.]

ORDER EXTENDING TIME TO FILE
RECORD AND DOCKET CAUSE.

Upon application of Mr. W. Coburn Cook, counsel for appellants, and good cause therefor appearing, It Is Ordered that the time within which appellants may file their transcript of record and docket the appeal in the above cause be, and hereby is extended to and including March 15, 1939.

CURTIS D. WILBUR,

United States Circuit Judge.

[Endorsed]: Filed February 17, 1939. Paul P. O'Brien, Clerk. [278]

[Title of Circuit Court of Appeals and Cause.]

ORDER EXTENDING TIME TO FILE
RECORD AND DOCKET CAUSE.

Upon application of Mr. W. Coburn Cook, counsel for appellants, and good cause therefor appearing, It Is Ordered that the time within which appellants may file their transcript of record and docket the appeal in the above cause be, and hereby is extended to and including March 25, 1939.

CURTIS D. WILBUR,

Senior United States Circuit Judge.

[Endorsed]: Filed March 4, 1939. Paul P. O'Brien, Clerk.

[Endorsed]: Filed Mar. 9, 1939. R. S. Zimmerman, Clerk. By M. J. Sommer, Deputy Clerk. [279]

[Title of Circuit Court of Appeals and Cause.]

STIPULATION FOR EXTENSION OF TIME

It is stipulated between appellants and appellees that the time within which appellants may file their transcript of record and docket the appeal in the above cause may be extended to and including March 25, 1939, for the reason that the parties are endeavoring to agree upon a Narrative Statement of the Evidence in this cause.

Appellants proposed Statement was served upon the appellee January 26, 1939, and the appellee was unable to complete his proposed changes therein before February 27, whereupon it was mailed to appellants' counsel at Turlock, California, where it is being rewritten. After being rewritten it must be re-examined by appellee and agreed to by both parties and forwarded for the Clerk of the United State District Court to Honorable Judge Cosgrave, who is at Fresno, for his approval, and by him returned to Los Angeles to be included in the Record on Appeal, and the Clerk of the United States District Court advises that this additional time is required. Otherwise the Record on Appeal is complete.

Dated: March 3, 1939. [280]

W. COBURN COOK,
CHAS. L. CHILDERS,

Attorneys for Appellants.

STEWART, SHAW AND
MURPHEY,

By ARVIN B. SHAW, JR.,

Attorneys for Appellee. [281]

In the District Court of the United States for the Southern District of California—Central Division.

No. 31992-C

(In Bankruptcy)

In the Matter of Petition of Palo Verde Irrigation District, an Irrigation District, for Composition of Debts.

PRAECIPE

To the Clerk of the Above Entitled Court:

Please prepare in the above cause a transcript of the record to be transmitted to the United States Circuit Court of Appeals of the Ninth Circuit in pursuance to the appeal heretofore taken in said cause by all those certain parties named in the first paragraph of the Petition for an Order Allowing Appeal, which has been filed in this cause, being the same parties who are represented by the undersigned attorney, and include therein the following:

1. Petition for Composition of Debts.
2. Answer and Objections to Petition for Composition of Debts.
3. Findings of Fact and Conclusions of Law.
4. Interlocutory Decree Confirming Plan of Composition of Debts. [282]
5. Petition for and the Order Allowing Appeal.
6. Assignment of Errors.
7. Praecipe.
8. Citation on Appeal.
9. Clerk's Certificate to Record.

10. All pleadings filed herein or on behalf of appellants, including their motions.

11. All Orders made on Motions and all exceptions allowed upon Orders.

12. Undertaking on Appeal.

13. Stipulations.

14. Reporter's Transcript of Evidence and Proceedings at hearing of July 18, 1938.

15. Opinion of the Court.

Dated: October 31, 1938.

W. COBURN COOK,

CHARLES L. CHILDERS,

Attorneys for Respondents and
objecting creditors named in
the above Petition for Order
Allowing Appeal.

[Endorsed]: Received copy this 1st day of November, 1938.

STEWART, SHAW &

MURPHEY,

By ARVIN B. SHAW, JR.,

Attys. for Petitioner.

[Endorsed]: Filed Nov. 1, 1938. [283]

[Title of District Court and Cause.]

DESIGNATION OF CONTENTS OF RECORD
ON APPEAL

The appellants, James H. Jordan, J. R. Mason,
L. F. Abadie, George F. Covell, and First National

Bank of Tustin, a corporation, hereby designate a complete record of all the proceedings and evidence in this cause for inclusion in the record on appeal herein.

Dated: November 4, 1938.

CHARLES L. CHILDERS,

W. COBURN COOK,

Attorneys for Appellants.

Receipt of a copy of the foregoing Designation of Contents of Record on Appeal is admitted this 28th day of December, 1938.

STEWART, SHAW &

MURPHEY,

By ARVIN B. SHAW, JR.,

Attorneys for Appellee.

[Endorsed]: Filed Dec. 30, 1938. [284]

[Title of District Court and Cause.]

STATEMENT OF POINTS

The appellants, James H. Jordan, First National Bank of Tustin, California, a corporation, J. R. Mason, George F. Covell, and L. F. Abadie, state that the points on which they intend to rely on the appeal in this cause are those which are set forth in the assignment of errors filed herein including:

- (1) Unconstitutionality of Chapter IX of the United States Bankruptcy Act.
- (2) Want of State consent.
- (3) The question of *res judicata*.
- (4) The question

of pendency of the proceedings in the State Court under Statutes of California, 1937, Chapter XXIV.

(5) The question of whether the Reconstruction Finance Corporation is a creditor affected by the plan.

(6) The want of good faith. (7) Failure of proof of insolvency. (8) The other points mentioned in the said assignment of errors.

Dated: January 20, 1939.

W. COBURN COOK,

CHAS. L. CHILDERS,

Attorneys for Appellants.

Due service and receipt of a copy of the foregoing Statement of Points is hereby acknowledged this 23rd day of January, 1939.

STEWART, SHAW &

MURPHEY

By ARVIN B. SHAW, JR.,

[Endorsed]: Filed Jan. 23, 1939. [285]

[Title of District Court and Cause.]

STIPULATION IN RE NOTICE OF HEARING
AND RECORD ON APPEAL.

It Is Hereby Stipulated by and between petitioner above named and respondents herein, by their respective undersigned attorneys, as follows:

1. That the Clerk of the above entitled District Court did, on the 13th day of May, 1938, execute and issue, under the seal of said District Court, a

notice to creditors in the above entitled matter in the form and substance of the form of notice to creditors attached to that certain order given and made by the Honorable George Cosgrave, District Judge herein, dated and filed May 13th, 1938, and entitled "Order Approving Petition and for Notice", which said form of notice was marked "Exhibit A" and incorporated in said order by reference.

2. That thereafter, commencing May 17th, 1938, said petitioner caused a copy of said notice to be published in the "Los Angeles Daily Journal" and in the "Pacific Coast Edition The Wall Street Journal", in form and manner as prescribed in and by said order, and caused printed copies of said notice to be mailed in form and manner as required by said order to all creditors of petitioner district.

3. That on June 29th, 1938, affidavits of publication and mailing of said notice as above, showing compliance in all respects with the requirements of said order as to such publication and mailing, were filed herein. [286]

4. That said notice and said affidavits of publication and mailing may be omitted from the record on appeal herein and that this stipulation shall be incorporated in the printed record on appeal in lieu thereof.

5. That petitioner has in all respects correctly and fully complied with all jurisdictional requirements relating to the giving of notice prescribed in Section 83 of the National Bankruptcy Act and in the orders of said District Court precedent to the

hearing held before said District Court herein upon the plan of composition on July 18th, 1938.

6. That it is understood and agreed between petitioner and respondents that, notwithstanding the making of this stipulation or any other stipulation, act or omission heretofore made, done or omitted, petitioner reserves the full right to question, in such manner as it may be advised, the validity and effectiveness of each and every appeal sought herein to be taken by said respondents.

Dated this 26th day of January, 1939.

STEWART, SHAW &
MURPHEY,

By ARVIN B. SHAW, JR.,
Attorneys for Petitioner.
W. COBURN COOK,

Attorney for Respondents J. R.
Mason, L. F. Abadie, James
H. Jordan, First National
Bank of Tustin, California,
and George F. Covell.

[Endorsed]: Filed Jan. 31, 1939. [287]

[Title of District Court and Cause.]

STIPULATION RELATING TO RECORD ON
APPEAL

It is stipulated between appellants James H. Jordan, J. R. Mason, L. F. Abadie, George F. Covell, and First National Bank of Tustin, a cor-

poration, and appellee Palo Verde Irrigation District that there need be but one record on each of the appeals in this cause, which shall consist of the following, and shall be printed, except where otherwise stated:

1. Petition for Composition of Debts.
2. Answer and Objections to Petition for Composition of Debts.
3. Order approving Petition and for Notice.
4. Stipulation In Re Notice of Hearing and Record on Appeal.
5. Claim of Reconstruction Finance Corporation, and claims of James H. Jordan, J. R. Mason, L. F. Abadie, George F. Covell, and First National Bank of Tustin, a corporation.
6. Stipulation Relating to Evidence at Hearing on Merits of Plan. [288]
7. Narrative Statement of Evidence.
8. Minute Order of July 18, 1938.
9. Memorandum of Order of August 4, 1938.
10. Opinion of the Court.
11. Findings of Fact and Conclusions of Law.
12. Disapproval and Objections to Findings of Fact and Conclusions of Law.
13. Interlocutory Decree Confirming Plan of Composition of Debt.
14. Petition for Order Allowing Appeal.
15. Assignment of Errors.
16. Bond for Costs on Appeal.
17. Order Allowing Appeal.
18. Citation on Appeal.

19. Praeceptum.
20. Notice of Appeal to the Circuit Court of Appeals under Rule 73 (a).
21. Designation of Contents of Record on Appeal.
22. Statement of Points.
23. Stipulation Dated October 31, 1938, Relating to Transfer of Exhibits Under Rule 75 (i).
24. Order of Transfer of Original Exhibits to Circuit Court of Appeals. (And the original exhibits so transferred and reporter's transcript, which need not be printed.)
25. Stipulation relating to Record on Appeal.
26. Clerk's Certificate to Record.
27. Orders Extending Time to Docket Appeal.

The record herein designated shall be in lieu of that required by the appellants' Praeceptum and Designation of Contents of Record on Appeal, and is intended to conform also to Rule 73 (f) of Rules of Civil Procedure for District Courts.

Dated: March 1, 1939. [289]

W. COBURN COOK,

CHAS. L. CHILDERS,

Attorneys for Appellants.

This stipulation is signed by the undersigned attorneys for appellee subject to the following reservation.

That, notwithstanding the making of this stipulation, appellee reserves the full right to question, in such manner as it may be advised, the validity and

effectiveness of each and every appeal sought herein to be taken by said appellants.

STEWART, SHAW &
MURPHEY,

By ARVIN B. SHAW, JR.,
Attorneys for Appellee.

[Endorsed]: Filed March 2, 1939. [290]

[Title of District Court and Cause.]

CLERK'S CERTIFICATE

I, R. S. Zimmerman, Clerk of the District Court of the United States for the Southern District of California, do hereby certify the foregoing volume containing 290 pages, numbered from 1 to 290, inclusive, contains a full, true and correct copy of the (original) Citation on Appeal; Petition for Composition of Debts; Order Approving Petition and for Notice; Stipulation Relating to Evidence; Six Proofs of Claim; Answer to Petition; Minutes of July 18, 1938; Memorandum of Order and of Exception; Findings of Fact and Conclusions of Law; Disapproval and Objections to Findings of Fact and Conclusions of Law; Interlocutory Decree; Statement of Evidence; Petition for Appeal; Order Allowing Appeal; Assignment of Errors; Bond on Appeal; Notice of Appeal; Order for Transfer of Original Exhibits to Circuit Court of Appeals; Stipulation for Transfer of Original Exhibits;

Order Extending Time; Stipulation Extending Time; Order Extending Time on Appeal; Order Extending Time on Appeal; Order Extending Time on Appeal; Praecipe; Designation of Contents on Appeal; Statement of Points; Stipulation re Notice of Hearing and Record on Appeal; Stipulation Relating to Record on Appeal, which together with original Exhibits constitute the record on appeal to the United States Circuit Court of Appeals for the Ninth Circuit.

I Do Further Certify that the fees of the Clerk for comparing, correcting and certifying the foregoing record amount to \$49.30, and that said amount has been paid me by the Appellant herein.

In Testimony Whereof, I have hereunto set my hand and affixed the Seal of the District Court of the United States for the Southern District of California, this 21st day of March, in the year of our Lord One thousand nine hundred and thirty-nine, and of the Independence of the United States the One hundred and sixty-third.

[Seal]

R. S. ZIMMERMAN,

Clerk of the District Court of the United States for
the Southern District of California,

By EDMUND L. SMITH,

Chief Deputy Clerk.

[Endorsed]: No. 9133. United States Circuit Court of Appeals for the Ninth Circuit. James H. Jordan, J. R. Mason, L. F. Abadie, George F. Covell, and First National Bank of Tustin, a corporation, Appellants, vs. Palo Verde Irrigation District, an Irrigation District, Appellee. Transcript of Record Upon Appeal from the District Court of the United States for the Southern District of California, Central Division.

Filed March 22, 1939.

PAUL P. O'BRIEN,

Clerk of the United States Circuit Court of Appeals
for the Ninth Circuit.

[Title of District Court and Cause.]

ORDER

Good Cause Appearing, It Is Ordered in the above-entitled case in connection with the appeal of James H. Jordan, First National Bank of Tustin, California, J. R. Mason, George F. Covell, and L. F. Abadie to the United States Circuit Court of Appeals for the Ninth Circuit that the time for filing the record and transcript on appeal in said cause and the time for docketing of said cause with the Clerk of the United States Circuit Court of Appeals for the Ninth Circuit in San Francisco shall be and the same is enlarged and extended to and including December 30, 1938.

Dated: November 28, 1938.

G. COSGRAVE,
U. S. District Judge.

[Endorsed]: Filed Nov. 30, 1938. Re-filed March 22, 1939. Paul P. O'Brien, Clerk.

United States Circuit Court of Appeals for the
Ninth Circuit.

No. 9133

JAMES H. JORDAN, et al.,
Appellants,
vs.

PALO VERDE IRRIGATION DISTRICT,
Appellee.

STATEMENT OF POINTS RELIED UPON ON
APPEAL.

The appellants state that they intend to rely upon the points mentioned in the Statement of Points by Appellants, and Assignment of Errors in the record herein, on each of the appeals herein.

Dated: March 29, 1939.

W. COBURN COOK,
CHAS L. CHILDERS,
Attorneys for Appellants.

[Endorsed]: Filed March 29, 1939. Paul P. O'Brien, Clerk.

[Title of Circuit Court of Appeals and Cause.]

DESIGNATION OF RECORD FOR PRINTING

The appellants designate the following as those parts of the record as necessary for the consideration of the points upon which the appellants intend to rely in this appeal, and for printing:

All those parts of the transcript and record on appeal provided in the "Stipulation Relating to Record on Appeal" herein, to be printed, and in addition, stipulations and orders relating to extension of time to docket the appeal.

It will be found that the said stipulation provides for the printing of the entire transcript on appeal, except the original exhibits and reporter's transcript, which it was provided in the stipulation need not be printed.

Dated: March 29, 1939.

W. COBURN COOK,

CHAS. L. CHILDERS,

Attorneys for Appellants.

[Endorsed]: Filed March 29, 1939. Paul P. O'Brien, Clerk.

[Title of Circuit Court of Appeals and Cause.]

AFFIDAVIT OF SERVICE BY MAIL

State of California,

County of Stanislaus—ss.

Esther Mortensen, being first duly sworn, deposes and says:

That she is a citizen of the United States, resident of the County of Stanislaus, over the age of eighteen years, and not a party to nor interested in the above entitled cause; that on the 30th day of March, 1939, she placed a full, true, and correct copy of the Statement of Points Relied Upon on Appeal, and Designation of Record for Printing, filed herein, in an envelope, duly sealed and deposited the same in the United States Post Office at Turlock, California, with the postage thereon fully paid, and addressed to Stewart, Shaw and Murphey, Attorneys at Law, 835 Rowan Building, Los Angeles, California; that there is a regular daily communication by mail between Turlock, California and Los Angeles, California.

ESTHER MORTENSEN.

Subscribed and sworn to before me this 30th day of March, 1939.

[Seal] J. ALFRED SWENSON,
Notary Public in and for the County of Stanislaus,
State of California.

[Endorsed]: Filed April 5, 1939. Paul P. O'Brien, Clerk.